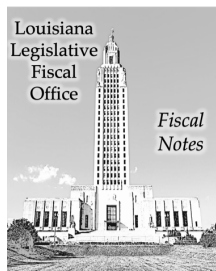


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 123** SLS 25RS 408
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 25, 2025 8:21 PM	Author: JACKSON-ANDREWS
Dept./Agy.: Department of Revenue / Department of Education	Analyst: Noah O'Dell
Subject: Income Tax Credit: Donations to Certain Public Schools	

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1
 Authorizes an income tax credit for donations to certain public schools. (1/1/26)

Proposed law authorizes a nonrefundable income tax credit for 95% of the amount made in donations to public schools receiving a grade of "D" or "F" in the prior year, and requires the recipient schools to utilize such donations for eligible purposes, including childcare for student parents, and school-based health clinics, among others. The Department of Revenue (LDR) is required to provide a standardized donation receipt format. Schools are required to have a CPA complete a report for submission to LDR and the Department of Education (DOE) detailing all donations by March 1 each year. Total credits that are limited to \$10 million each year with claims taking place on a first-come, first-served basis with no limit to the amount of credits an individual taxpayer can claim. No credits will be granted for taxable periods beginning on or after January 1, 2028.
 Effective January 1, 2026 for donations made during the 2025-26 school year.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$118,317	\$96,116	\$99,000	\$0	\$0	\$313,433
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$118,317	\$96,116	\$99,000	\$0	\$0	\$313,433

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	SEE BELOW	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total					\$0	\$0

EXPENDITURE EXPLANATION

The bill is anticipated to increase \$118,317 SGR and one (1) T.O. in the Department of Revenue (LDR) in FY26. One time costs of \$25,000 are expected in FY26 related to computer system development, modification, and testing. LDR reports one Revenue Tax Specialist 1 with salary and related benefits of \$93,317 will be necessary beginning in FY26 to review and process returns claiming the credit. The department reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill is anticipated to decrease SGF revenue by an indeterminable amount beginning in FY26 when 2025 tax returns are filed. Taxpayers may receive an income tax credit for 95% of the amount provided as donations to "D" or "F" graded public schools. The maximum amount of credits that may be issued any given year is limited to \$10M, but the exact amount of claimed credits is dependent upon taxpayer donation behavior. LFO has no basis for speculating how much taxpayers will donate to such schools for the purposes enumerated in the bill in any given year nor the amount of tax liability against which to claim the credits, but the amount of credits issued is likely to be in the millions of dollars.

No carryforward provision is stated in the proposed measure. There is no cap on the maximum amount any single taxpayer can claim, although aggregate credits are limited to \$10M each year.

The last year for eligible donations is 2027, with the last year of anticipated revenue loss occurring in FY28 when returns are filed. LFO cannot determine an impact if a backlog of credits is in place when the ability to make claims ends in tax year 2028.

Note: The SGF impact may originate as the LDR retention of 1% of income and sales tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Deborah Vivien
Chief Economist