Senate Education Committee

Senator Jeffrey E. Piccola

Chairman

Dave Transue
Executive Director
dtransue@pasen.gov

Matt Azeles
Deputy Executive Director
mazeles@pasen.gov

Karen Seivard
Committee Counsel
kseivard@pasen.gov

Room 173 Capitol Building, Senate Box 203015, Harrisburg, Pennsylvania 17120-3015 • 717-787-6801 • 717-783-3722

BILL SUMMARY
House Bill 1330, Printer's No. 1749
Prime Sponsor: Quigley

A. <u>SYNOPSIS:</u>

House Bill 1330 would move the Educational Improvement Tax Credit (EITC) program from the Tax Reform Code of 1971 into the Pennsylvania Public School Code and would expand the EITC program by increasing the amount of tax credits available and increasing income limitations for EITC scholarship recipients.

B. <u>BILL ANALYSIS:</u>

Under H.B. 1330, the EITC program would be moved from the Tax Reform Code of 1971 into the School Code. In addition, H.B. 1330 would expand the EITC program by:

1. Increasing the amount of tax credits available to businesses donating to scholarship organizations (SOs), educational improvement organizations (EIOs) and pre-kindergarten scholarship organizations (PKSOs) from the $75 million that would otherwise be available in fiscal year 2011-2012 to $100 million in fiscal year 2011-2012 ($67 million for SOs, $25 million for EIOs and $8 million for PKSOs) and $200 million in fiscal year 2012-2013 ($120 million for SOs, $60 million for EIOs and $20 million for PKSOs);

2. Increasing the basic income limits for EITC scholarship recipients from the $60 million that will be in effect on July 1, 2011 to $75 million after June 30, 2012 (subject to annual adjustment by the Department of Community and Economic Development based on the Consumer Price Index (CPI) beginning July 1, 2013);

3. Increasing the maximum donations a business may make to SOs and EIOs under the EITC program from $300,000 under current law to $400,000 in fiscal year 2011-2012 and $750,000 in fiscal year 2012-2013; and

4. Increasing the maximum donations a business may make to PKSOs under the EITC program from $150,000 under current law to $200,000 in fiscal year 2011-2012 and $250,000 in fiscal year 2012-2013.

The bill would take effect 60 days after enactment.

C. <u>SUMMARY OF RELEVANT EXISTING LAW:</u>

The EITC program currently is set forth in the Tax Reform Code of 1971. Effective July 1, 2011, the total amount of credits available under the program is $75 million. Current donation limits are $300,000 for SO and EIO contributions and $150,000 for PKSO contributions. The basic income limit for a scholarship recipient is $60,000 effective July 1, 2011.

D. <u>SUMMARY OF PROPOSED AMENDMENT:</u>

- Total amount of tax credits increased to **$100 million** in Fiscal Year 2012-2013
  - **$60 million** for Scholarship Organizations (SOs);
  - **$30 million** for Educational Improvement Organizations (EIOs);
  - **$10 million** for Pre-Kindergarten (Pre-K) Scholarship Organizations.

- Change to Maximum Household Income**:**
  - **Through June 30, 2013 -- $60,000 (plus income allowance) *(current law)*;**
  - **After June 30, 2013, not more than $75,000 (plus income allowance).**

- Changes to Income Allowance (per student):
  - **Through June 30, 2013 -- $12,000 *(current law)*;**
  - **After June 30, 2013 through June 30, 2014 -- $15,000;**
  - **After July 1, 2014 – CPI index applied to allowance.**

- Tax Credit Limitation**:**
  - **Credit increased from $300,000 to $400,000 in Fiscal Year 2012-2013;**
  - **For subsequent fiscal years, credit increases to $750,000.**

- Current one-week delay for pass through entities to file for EITC tax credits is eliminated.

- Additional Reporting:
  - **SOs and Pre-K organizations would be required to file:**
    - **Total number of scholarship applications processed and amounts of application fees charged;**
    - **Federal Form 990 or other Federal form indicating the tax status;**
    - **Copy of an independent audit conducted by a certified public accounting firm.**

- Definition of “School-related fees” added to include fees charged by a school for books, instructional materials, technology equipment and services, uniforms and activities.

- Chartered Schools for the Deaf and Blind and Approved Private Schools are added as eligible entities to receive EIO funds (Senate Bill 306 sponsored by Sen. Pippy and Senate Bill 1).

- Surplus Lines Insurance Tax added as eligible for the tax credit (Senate Bill 1).