

SESSION OF 2016

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2457

As Amended by House Committee on Education

Brief*

HB 2457, as amended, would modify the Tax Credit for Low Income Students Scholarship Program (Program). Modifications would include:

- Changing the requirement for scholarship eligibility to those Kansas students whose family household income does not exceed 185 percent of the federal poverty level. (For a family of four, this limit would be \$44,863 in 2015.) Current law requires a student to be an at-risk pupil attending a title I focus school or a title I priority school in order to be eligible to receive a scholarship;
- Eliminating the requirement that eligible students must have attended a public school in the year prior to receiving the scholarship. However, a new provision would require a scholarship granting organization to give priority to students who received a scholarship in the year immediately preceding the current school year;
- Allowing individual income taxpayers to claim the tax credits provided by the Program. Current law allows only taxpayers subject to the corporate income tax, the privilege tax, or the premium tax to claim the tax credits;
- Increasing the amount of the tax credit that could be claimed by a taxpayer from 70 percent of the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

amount contributed to 90 percent of the amount contributed;

- Adding a provision that would allow the statewide cap on tax credits that can be claimed to be increased. For tax years 2014 and 2015, the total amount of credits allowed would be \$10.0 million. Beginning in tax year 2016, when the total amount of credits awarded would be equal to or greater than 95 percent of the current amount of credits allowed, the total credits allowed for the succeeding tax year would increase by 25 percent. The Kansas Department of Education and the Kansas Department of Revenue would be required to publish information on their websites identifying the total amounts of credits allowed;
- Adding a provision specifying the timing of when scholarship payments must be made by a scholarship granting organization;
- Changing a provision that limits who a scholarship granting organization may provide a scholarship to include the relatives of unpaid board members; and
- Adding a provision that disallows a tax credit to any taxpayer who designates a dependent of the taxpayer as a student beneficiary as a condition of the contribution or who agrees with other taxpayers to make such a designation.

Background

At the House Committee on Education hearing, on the original bill, proponents included Representative John Bradford, representatives of Kansas Policy Institute, Northfield School for the Liberal Arts in Wichita, Americans for Prosperity, the Kansas Chamber of Commerce, the Urban Preparatory Academy, the Kansas Catholic Conference, and a private citizen.

Opponents of the bill included representatives of Game On for Kansas, Topeka Public Schools, Kansas Families for Education, Kansas PTA, Kansas Association of School Boards, Kansas National Education Association, the Mainstream Coalition, the Northwest Kansas Educational Service Center, Bonner Springs Public Schools, and several private citizens.

The House Committee amended the bill changing the household income limit from 250 percent of the federal poverty level to 185 percent of the federal poverty level; decreasing the amount of tax credits from 100 percent of the contribution to 90 percent; and replacing the raised cap on tax credits with the provision that would trigger an automatic increase in the cap when the amount of credits reaches the 95 percent threshold. In addition, the bill would extend tax credits to individuals. Finally, the Kansas Department of Education and the Kansas Department of Revenue would be required to publish information on their websites identifying the total amounts of credits allowed.

The fiscal note prepared by the Division of the Budget, on the bill as introduced, with information provided by the Kansas Department of Revenue, estimates \$8.0 million in tax credits in FY 2017 would result from passage of the bill. However, the Kansas Department of Education indicates the entire \$12.0 million in tax credits would be used. The Kansas Department of Revenue also estimates \$180,843 in additional administrative costs would be needed for one staff member and associated information technology costs. The Kansas Department of Education estimates administrative expenditures at \$59,911, to hire staff primarily responsible for determining income eligibility of students. Any fiscal effect associated with the bill is not reflected in *The FY 2017 Governor's Budget Report*. There was no fiscal note for the amended bill.