

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0251**

SENATE BILL NUMBER **36**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to opportunities in education and making an appropriation therefor.**

SPONSOR **Senator Alvarado**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES	(\$7,000,000)	(\$21,000,000)	(\$32,000,000)	(substantial negative impact) See explanation below
EXPENDITURES				
NET EFFECT	(\$7,000,000)	(\$21,000,000)	(\$32,000,000)	(substantial negative impact) See explanation below

() indicates a decrease/negative

MEASURE'S PURPOSE: This proposal, if enacted, would create a new tax credit for taxable years beginning January 1, 2018, but before January 1, 2023, for taxpayers making contributions to a qualified scholarship-granting organization for the purpose of providing funding for educational scholarships for foster children, students from low-and middle-income families and children with special needs, to attend certified nonpublic schools or to receive qualified special educational services. The credit may be claimed against the individual income tax, corporation income tax, limited liability entity tax, and the bank franchise.

Taxpayers are eligible for a tax credit equal to the lesser of 90 percent of the contribution or \$1,000,000 for each taxable year. The credit may be carried forward for up to five succeeding taxable years until the credit has been utilized.

Only contributions to qualified scholarship-granting organizations on the list maintained by the Department of Revenue for each calendar year shall be recognized for tax credits under this proposal. Prior to making the contribution, the taxpayer or qualified scholarship-granting organization acting on behalf of the taxpayer is required to apply to the Department of Revenue for preapproval.

The aggregate value of the tax credit awarded beginning in fiscal year 2018-2019 shall not exceed \$25,000,000. The aggregate value of the tax credit in subsequent fiscal years is increased by 25 percent if 90 percent of the annual credit cap is reached in the immediately preceding fiscal year.

To qualify for a scholarship under this proposed legislation, the student must meet one of the following criteria:

1. The student must be a member of a household with an annual household income at the time of initially applying for the scholarship of not more than 200 percent of the amount of household income necessary to establish eligibility for federal reduced-price meals program;
2. The student has previously received a scholarship under this program;
3. The student is a member of the household of a student that is currently receiving a scholarship under this program; or
4. The student is currently in the Commonwealth's foster care program.

PROVISIONS/MECHANICS:

Section 1 creates a new section of KRS Chapter 141 to establish a separate income tax credit for tuition assistance based on contributions made to a qualified scholarship-granting organization.

Section 2 creates a new section of KRS Chapter 141 to state the purpose and goals of the legislation and reporting by the Department of Revenue of metrics related to those goals.

Section 3 amends KRS 141.0205 to establish the order in which the credits may be taken.

Section 4 creates a new section of KRS 136.500 to 136.575 to allow financial institutions to take the tax credit against the tax imposed by KRS 136.505.

Section 5 creates a new section of KRS 136.500 to 136.575 in which the credits may be taken.

Section 6 creates a new section of KRS Chapter 136.500 to 136.575 to require the Kentucky Department of Education to publish a list of certified nonpublic schools and nonpublic schools seeking certification.

Section 7 amends KRS 131.020 to make a conforming change.

Section 8 amends KRS 131.135 to make a conforming change.

Section 9 amends KRS 131.190 to allow the Department of Revenue to provide the required data to the Legislative Research Commission without breaching confidentiality.

Sections 10 thru 13 amends KRS 131.618, 131.650, 131.990, and 141.389 to conform.

FISCAL EXPLANATION: It is estimated that there will be a negative impact of (\$7,000,000) to the General Fund in the current fiscal year related to the reduction of June 2018 estimated payments made by individuals and corporations in anticipation of making the applicable contributions during the taxable year. As additional estimated payments are made and returns are filed during fiscal year 2018-2019, it is estimated that the maximum negative impact will be (\$21 million). Assuming that the cap trigger is utilized in each subsequent fiscal year and that no action is taken by the General Assembly to extend the amount of credits available, the estimated negative impact to the General Fund will be as follows:

FY 2019-2020 - (\$32 million)
FY 2020-2021 - (\$40 million)
FY 2021-2022 - (\$50 million)
FY 2022-2023 – (\$43 million)
FY 2023-2024 – (\$16 million)

The negative impacts listed above are the maximum reductions to the General Fund. There may be other impacts which would produce savings, thereby reducing the maximum amount each fiscal year. Those savings are indeterminable.

DATA SOURCE(S): LRC

PREPARER: Charlotte Quarles **NOTE NUMBER:** 0038 **REVIEW:** JAB **DATE:** 1/24/2018