



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0294 - Increase aggregate limit for student scholarship and innovative education credit (Vinton, Sue )

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>(\$5,200,000)</u>	<u>(\$6,240,000)</u>	<u>(\$5,088,000)</u>

**Description of fiscal impact:** HB 294 increases the tax credits available under the Innovative Educational Program (IEP) public-school tax credit and the Student Scholarship Organization (SSO) program for non-public schools. This bill would reduce general fund revenue by \$5.2 million in FY 2025, \$6.24 million in FY 2026, and \$5.088 million in FY 2027 relative to present law.

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue**

- Under current law, taxpayers can claim a personal, or corporate, income tax credit for qualified donations to a Student Scholarship Organization (SSO), or to an Innovative Educational Program (IEP). The maximum that a single taxpayer can claim is \$200,000. In TY 2023, the maximum number of credits that can be claimed is \$2 million for each credit. Starting in TY 2024, the maximum number of total credits that can be claimed will increase by 20% if 80% of the maximum number of credits are claimed during the previous tax year.
- HB 294 increases the maximum number of SSO and IEP credits that can be claimed starting TY 2024. Under the proposed bill, a total of \$5 million SSO credits can be claimed in TY 2024. The maximum number of IEP credits that can be claimed is also increased to \$5 million in TY 2024. For both credits, the maximum number of credits will increase by 20% if 80% of the maximum credit amount is claimed the previous tax year, starting in TY 2025.

- Based on the credits claimed in TY 2021 and TY 2022, it is assumed that all credits will be claimed for each program each tax year under current law.

<b>Present Law Utilization of Student Scholarship and Innovative Education Program</b>					
Program	<b>Tax Credits</b>				
	<b>TY 2022</b>	<b>TY 2023</b>	<b>TY 2024</b>	<b>TY 2025</b>	<b>TY 2026</b>
IEP	-\$1,000,000	-\$2,000,000	-\$2,400,000	-\$2,880,000	-\$3,456,000
SSO	-\$1,000,000	-\$2,000,000	-\$2,400,000	-\$2,880,000	-\$3,456,000
<b>Total Value of Credits</b>	<b>-\$2,000,000</b>	<b>-\$4,000,000</b>	<b>-\$4,800,000</b>	<b>-\$5,760,000</b>	<b>-\$6,912,000</b>

- With the maximum value of credits claimed each year, the total SSO credits claimed under current law are assumed to be \$2 million in TY 2023, \$2.4 million in TY 2024, \$2.88 million in TY 2025, and \$3.456 million in TY 2026. The same number of IEP credits are assumed to be claimed each tax year under current law.
- It is assumed that there is enough interest in both credits for up to \$6 million in credits to be claimed for both the SSO and IEP credit.
- Based on the new credit limits created by HB 294, and a maximum of \$6 million in credits claimed, it is assumed that \$5 million in IEP credits will be claimed for TY 2024, and \$6 million in credits will be claimed in TY 2025 and TY 2026. For SSO credits, it is assumed that \$5 million in credits will be claimed for TY 2024, and \$6 million will be claimed in TY 2025 and TY 2026.

<b>HB 294 Utilization of Student Scholarship and Innovative Education Program Tax Credits</b>					
Program	<b>TY 2022</b>	<b>TY 2023</b>	<b>TY 2024</b>	<b>TY 2025</b>	<b>TY 2026</b>
IEP	-\$1,000,000	-\$2,000,000	-\$5,000,000	-\$6,000,000	-\$6,000,000
SSO	-\$1,000,000	-\$2,000,000	-\$5,000,000	-\$6,000,000	-\$6,000,000
<b>Total Value of Credits</b>	<b>-\$2,000,000</b>	<b>-\$4,000,000</b>	<b>-\$10,000,000</b>	<b>-\$12,000,000</b>	<b>-\$12,000,000</b>

- Based on current law credit assumptions, and the estimated credit usage under HB 294, the proposed bill will reduce income tax liabilities by \$5.2 million in TY 2024, \$6.24 million in TY 2025, and \$5.088 million in TY 2026.
- It is assumed that taxpayers will not change their withholding or estimated payments in anticipation of receiving the tax credits. The proposed changes therefore will reduce general fund revenue when taxpayers file their taxes the following year.
- HB 294 will reduce general fund revenue by \$5.2 million in FY 2025, \$6.24 million in FY 2026, and \$5.088 million in FY 2027, relative to present law.

<b>Change from Present Law Revenue Due to HB 294 as Introduced</b>					
Program	<b>TY 2022</b>	<b>TY 2023</b>	<b>TY 2024</b>	<b>TY 2025</b>	<b>TY 2026</b>
Change IEP	\$0	\$0	-\$2,600,000	-\$3,120,000	-\$2,544,000
Change SSO	\$0	\$0	-\$2,600,000	-\$3,120,000	-\$2,544,000
<b>Total Change in Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$5,200,000</b>	<b>-\$6,240,000</b>	<b>-\$5,088,000</b>

- The changes made by SB 118 can be made as part of the Department of Revenue annual change process. The Department of Revenue does not expect to incur any significant additional costs because of this bill.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<u>Department of Revenue</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>(\$5,200,000)</u>	<u>(\$6,240,000)</u>	<u>(\$5,088,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)

REV  
Sponsor's Initials

1/27/23  
Date

RO  
Budget Director's Initials

1-27-23  
Date