



# Revenue Interim Committee

67th Montana Legislature

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TO: Revenue Interim Committee

FROM: Megan Moore, Committee staff

DATE: January 18, 2022

RE: State Approaches to Equity for Public Education Tax Credits

This memorandum responds to a request for information on how states with tax credits for donations to public schools address equity in the distribution of the donations. This response is intended to inform the committee's required review of Montana's innovative educational program tax credit. An [overview](#) of the credit includes a summary on p. 11 of the other state credits included in this memorandum.

Research into the four states with public education tax credits indicates that none of the state programs explicitly provide for equity of donations that qualify for the tax credits. Three states require donations to organizations that provide grants or programming to schools but detailed information about grant recipients was not readily available. Arizona, like Montana, allows credits for donations directly to schools but also allows credits for fees paid to schools. Arizona's credit, however, is significantly smaller than Montana's: \$200 compared to \$200,000.

## Arizona

Arizona's credit differs from other state credits because fees paid to a public school qualify for the credit; other states only allow a credit for donations. A credit may be claimed for donations or fees for a variety of purposes, including extracurricular activities, standardized testing, career and technical education assessment, and community school meal programs.<sup>1</sup> Arizona does not place a limit on the total credits claimed.

There is no provision in Arizona to address equity in donations eligible for the tax credit. However, Arizona's credit is quite limited as compared to Montana's: only individuals may claim the credit and the maximum credit is \$200 for single taxpayers and \$400 for married taxpayers.

## Georgia

Donors claiming the Qualified Education Donation Tax Credit in Georgia donate to the Georgia Foundation for Public Education, which awards the donations in a competitive grant process.

Priority is given to the lowest-performing schools. The grant criteria are:

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<sup>1</sup> "Public School Tax Credit", Arizona Department of Revenue, available from: <https://azdor.gov/tax-credits/public-school-tax-credit>.

- the potential to which the innovation is likely to result in the proposed improvement;
- the potential for widespread adoption of such innovation by other public schools in the state;
- the quality of the proposed project design;
- the reasonableness of the costs involved in conducting the project; and
- other criteria the Foundation deems appropriate.<sup>2</sup>

There is a \$5 million annual limit on total credits. In 2020, eight donations totaling \$13,100 qualified for the credit.<sup>3</sup> The credit will be repealed on Dec. 31, 2023.

## Oklahoma

A taxpayer claiming the Oklahoma Educational Improvement Grant Organization Credit makes a donation to an educational improvement grant organization (EIGO), which must use at least 90% of receipts for grants to eligible schools. According to the Oklahoma State School Boards Association, the Oklahoma Tax Commission has denied requests for information about EIGO's and their donations.<sup>4</sup>

While research led to websites for two EIGO's, there was no information about which schools received grants.<sup>5</sup> The definition of "eligible school" in the authorizing statute limits grants to public schools:

- not located within a 10-mile radius of an accredited private school;
- located within a 10-mile radius of an accredited private school but the public school offers different grade-level instruction than the private school; or
- within a district with fewer than 4,500 students.

Oklahoma limits total credits to \$1.5 million and reduces the credits proportionally if donations exceed the limit.

## Pennsylvania

The Educational Improvement Tax Credit allows a credit for businesses that owe taxes in Pennsylvania to claim a credit for donations to Educational Improvement Organizations (EIO), which provide innovative educational programs or grants to public schools, charter schools, or private schools. There are currently 858 registered EIO's.<sup>6</sup>

According to state guidelines, EIO's must report annually on their programs, expenditures, and which schools benefited. The stated purpose of the annual reports is to "enable the Commonwealth to communicate the benefits of the program to the administration, the legislature and the citizens of the Commonwealth."<sup>7</sup> Research did not reveal any publications including information from the annual reports.

Pennsylvania limits total credits to \$37.5 million.

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<sup>2</sup>Official Code of Georgia Annotated 20-114-26.1

<sup>3</sup> "Calendar Year 2020 Qualified Education Donation Credit Report," Feb. 16, 2021: available from <https://dor.georgia.gov/calendar-year-qualified-education-donation-credit-report>.

<sup>4</sup> "Tax Credit Scholarships," Oklahoma State School Boards Association, available from: <https://www.ossba.org/advocacy/tuitiontaxcredits/>.

<sup>5</sup> See Go for Public Schools available from: <https://goforpublicschools.com/> and Catalyst Education Fund, available from: <https://www.catalystedfund.org/#Top>.

<sup>6</sup> Educational Improvement Organizations, available from: <https://dced.pa.gov/educational-improvement-organizations/>.

<sup>7</sup> "Education Improvement Tax Credit Program," Pennsylvania Department of Community & Economic Development, available from: <https://dced.pa.gov/download/eitc-organization-guidelines/?wpdmdl=84187>.