



GOVERNOR GREG GIANFORTE
DIRECTOR BRENDAN BEATTY

MEMORANDUM

To Revenue Interim Committee
From Aaron McNay, Economist
Tax Policy and Research
Date March 22, 2024
Subject **Annual Report on Student Scholarship Organization Credit**

Each year the Department of Revenue is required by 15-30-3112, MCA to make a report to the Revenue and Transportation Interim Committee on the Student Scholarship Organization Credit. This memorandum briefly describes the Student Scholarship Credit and reports on the use of the credit over the previous five years.

Starting in tax year 2016, individuals and corporations were allowed to claim a credit for donations made to student scholarship organizations during the tax year. The credit was non-refundable and was equal to the amount of the donation but could not exceed \$150 per taxpayer. The credit was limited to \$3 million in total donations each tax year, with the possibility of increasing the credit in future years. To claim the credit, a taxpayer must have donated the claimed funds directly to the student scholarship organization before the end of the tax year and could then claim the donation on their tax return.

The Student Scholarship Organization credit was modified during the 2021 legislature. Starting in tax year 2022, the maximum credit amount each taxpayer could claim was increased from \$150 to \$200,000. In addition, taxpayers could carry forward unused credit amounts for up to 3 years. The changes also included a reduction in the maximum number of donations that would qualify for the credit, with a maximum of \$1 million in credits for tax year 2022 and \$2 million in tax year 2023. The maximum amount of donations that qualify for credits could increase in future tax years by an additional 20% of the previous maximum amount if at least 80% of the possible credits were claimed the previous year.

Based on personal income tax returns received and processed by the department through February 2024, the Student Scholarship Organization Credit was claimed on 63

personal income tax returns for tax year 2022. The total credit amount claimed on the returns for 2022 was \$779,804. The number of credits claimed in tax year 2022 was a significant increase from the previous years. In tax years 2020 and 2021, a total of \$8,211 and \$9,889 in credits were claimed, respectively. The number of individuals claiming the credit also increased in 2022, moving from 65 and 81 individuals in 2020 and 2021 to 88 in 2022.

Figure 1					
Tax Year	Returns Claiming Credits	Individuals Claiming Credits	Total Credits Claimed	Average Credit Amount Per Return	Average Credit Amount Per Individual
2018	103	120	\$15,526	\$151	\$129
2019	17	20	\$2,223	\$131	\$111
2020	57	65	\$8,211	\$144	\$126
2021	70	81	\$9,889	\$141	\$122
2022	63	88	\$779,804	\$12,378	\$8,861

Based on corporate income tax returns received and processed by the department through February 2024, less than 10 C-corporations claimed the Student Scholarship Organization Credit on their returns in tax years 2021 and 2022. In total, \$4,995 in credits were claimed on corporate income tax returns during the two years.