

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6603**

**BILL NUMBER: HB 1922**

**DATE PREPARED:** Dec 16, 2000

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Public School Contributions.

**FISCAL ANALYST:** Brian Tabor

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**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides an income tax credit equal to 50% of charitable contributions made by a taxpayer to a public school corporation in Indiana. It applies the same limits to the amount allowable as tax credits for charitable contributions to public school corporations as are applicable for charitable contributions to institutions of higher education.

**Effective Date:** January 1, 2001 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate these changes. These expenses could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** This bill would reduce tax liabilities for individuals who make charitable contributions to Indiana public school corporations. *The fiscal impact of this proposal could reduce state revenue by as much as \$5.8 M in FY 2002. While the precise amount is difficult to estimate, the impact may be even greater in subsequent years.*

***Background:*** Current law provides that the college credit is limited to 50% of charitable contributions to an institution of higher education located in Indiana, or a maximum of \$100 for a single taxpayer or \$200 for taxpayers filing a joint return. It also provides that a corporation may receive a credit for similar contributions equal to 10% of its total Corporate Adjusted Gross Income (AGI) Tax liability up to \$1,000. Under this proposal, the college credit would be expanded to apply to charitable contributions made to public school corporations with the same restrictions applying to both individuals and corporations.

It is difficult to project how many taxpayers would claim such a credit, but some data is available regarding charitable contributions to public schools and use of the existing college tax credit.

*Charitable contributions to public schools:* According to the Department of Education (DOE), public school corporations received more than \$15.7 M in gifts, donations, and bequests in the 1999-2000 school year. The total was \$10 M in 1998-1999 and \$9.2 M in 1997-1998. As the credit is equal to 50% of contributions, the maximum potential credits that could be taken based on this amount could be approximately \$5.8 M (50% of the average total contributions for the past three years).

It is important to note that some gifts, donations, and bequests to public school corporations may not be eligible for a tax credit under the provisions of this bill. The fiscal impact may also be less than \$5.8 M as many individual contributions are likely to exceed the credit limits. However, as this bill provides an additional incentive to donate to public schools, the number of contributors could increase, resulting in an even greater fiscal impact.

*Existing College Credit data:* According to 1998 DOR individual income tax data, 82,327 taxpayers claimed \$7.8 M in credits for contributions to Indiana's higher education institutions. Of this total, 8,112 out of 19,054 single filers took the full \$100 maximum credit, and 19,590 out of 63,273 joint filers took the \$200 maximum. Of those that did *not* take the maximum, the average credit taken by single filers was \$37 or 37% of the limit and the average credit taken by joint filers was \$62 or just 31% of the \$200 maximum. Corporations claimed almost \$174,000 in 1998 according to the DOR, and 96 of these took the full \$1,000 credit.

Any additional revenue loss will occur in FY 2002 as this proposal is retroactive to January 1, 2001. Individual income tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill may result in an indeterminable increase in charitable contributions to public school corporations.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Public school corporations.

**Information Sources:** DOR's 1998 individual income tax data; DOE database.