

HOUSE BILL No. 1389

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-24.

Synopsis: Education improvement tax credit. Provides an educational improvement tax credit to taxpayers who make contributions to public school support organizations or scholarship organizations.

Effective: January 1, 2003.

Bosma

January 15, 2002, read first time and referred to Committee on Education.

C
O
P
Y



Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

C
o
p
y

HOUSE BILL No. 1389



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-24 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2003]:

4 **Chapter 24. Educational Improvement Tax Credit**

5 **Sec. 1. The purposes of this chapter are to:**

- 6 (1) **ensure that all children in Indiana receive a high quality**
- 7 **education;**
- 8 (2) **empower the citizens of Indiana to obtain a high quality**
- 9 **education at lower cost to taxpayers;**
- 10 (3) **assist low income individuals and families in accessing the**
- 11 **educational needs of their children; and**
- 12 (4) **encourage the citizens of Indiana to support scholarship**
- 13 **and public school support organizations.**

14 **Sec. 2. As used in this chapter, "eligible student" means a**
15 **student that is eligible to receive free or reduced price lunches**
16 **under the national school lunch program.**

17 **Sec. 3. As used in this chapter, "public school support**



1 organization" means a nonprofit organization that:

- 2 (1) is exempt from federal income taxation under Section 501
3 of the Internal Revenue Code;
4 (2) contributes at least eighty percent (80%) of its annual
5 receipts to a public school; and
6 (3) provides aid to eligible public school students for:
7 (A) purchases of:
8 (i) books;
9 (ii) tutors;
10 (iii) computers; and
11 (iv) educational software; or
12 (B) participation in a public school enrichment program.

13 A public school support organization may provide not more than
14 five hundred dollars (\$500) in aid to an eligible student in a
15 particular taxable year.

16 Sec. 4. As used in this chapter, "scholarship organization"
17 means a nonprofit organization that:

- 18 (1) is exempt from federal income taxation under Section 501
19 of the Internal Revenue Code;
20 (2) contributes at least eighty percent (80%) of its annual
21 receipts to a scholarship program; and
22 (3) provides scholarships to eligible students who wish to
23 attend:
24 (A) a public school outside the eligible student's legal
25 settlement; or
26 (B) a private school.

27 A scholarship awarded to an individual student may not exceed
28 three thousand three hundred dollars (\$3,300) in a particular
29 taxable year.

30 Sec. 5. As used in this chapter, "scholarship program" refers to
31 a program that provides tuition to an eligible student to attend a
32 public school. A scholarship program must include an application
33 and review process approved by the department of education.

34 Sec. 6. As used in this chapter, "state tax liability" means a
35 taxpayer's total tax liability that is incurred under:

- 36 (1) IC 6-2.1 (the gross income tax);
37 (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
38 (3) IC 6-3-8 (the supplemental net income tax);
39 (4) IC 6-5-10 (the bank tax);
40 (5) IC 6-5-11 (the savings and loan association tax);
41 (6) IC 27-1-18-2 (the insurance premiums tax); and
42 (7) IC 6-5.5 (the financial institutions tax);

C
O
P
Y



1 as computed after the application of the credits that under
 2 IC 6-3.1-1-2 are to be applied before the credit provided by this
 3 chapter.

4 Sec. 7. As used in this chapter, "taxpayer" means any
 5 individual, corporation, limited liability company, partnership, or
 6 other entity that has state tax liability. The term includes a pass
 7 through entity.

8 Sec. 8. A taxpayer that makes a contribution to a:

- 9 (1) public school support organization; or
 10 (2) scholarship organization;

11 is entitled to a tax credit against the taxpayer's state tax liability
 12 under section 9 or 10 of this chapter.

13 Sec. 9. (a) This section applies to a taxpayer who is an
 14 individual.

15 (b) A taxpayer is entitled to a credit in a taxable year for a
 16 contribution made in that taxable year to a public school support
 17 organization or a scholarship organization.

18 (c) The amount of the credit may not exceed the lesser of:

- 19 (1) one thousand dollars (\$1,000); or
 20 (2) seventy-five percent (75%) of the taxpayer's state tax
 21 liability.

22 (d) Notwithstanding subsection (c), a husband and wife filing a
 23 joint adjusted gross income return for a particular taxable year are
 24 entitled in that taxable year to a credit not to exceed the lesser of:

- 25 (1) two thousand dollars (\$2,000); or
 26 (2) seventy-five percent (75%) of the combined state tax
 27 liability of the husband and wife.

28 Sec. 10. (a) This section applies to a taxpayer that is not an
 29 individual.

30 (b) A taxpayer is entitled to a credit in a taxable year for a
 31 contribution made in that taxable year to a public school support
 32 organization or a scholarship organization.

33 (c) The amount of the credit may not exceed the lesser of:

- 34 (1) one hundred thousand dollars (\$100,000); or
 35 (2) seventy-five percent (75%) of the taxpayer's state tax
 36 liability.

37 (d) The credit shall be applied against the taxpayer's state tax
 38 liability in the following order:

- 39 (1) Gross income tax liability (IC 6-2.1) for the taxable year.
 40 (2) Adjusted gross income tax liability (IC 6-3-1 through
 41 IC 6-3-7) for the taxable year.
 42 (3) Supplemental net income tax liability (IC 6-3-8) for the

C
 O
 P
 Y



1 taxable year.

2 (4) Bank tax liability (IC 6-5-10) or savings and loan
3 association tax liability (IC 6-5-11) for the taxable year.

4 (5) Insurance premiums tax liability (IC 27-1-18-2) for the
5 taxable year.

6 (e) If the tax paid by the taxpayer under a tax provision listed in
7 subsection (d) is a credit against the liability or a deduction in
8 determining the tax base under another Indiana tax provision, the
9 credit or deduction shall be computed without regard to the credit
10 to which a taxpayer is entitled under this chapter.

11 (f) A taxpayer that is subject to the financial institutions tax
12 may apply the credit provided by this chapter against the
13 taxpayer's financial institutions tax liability for the taxable year.

14 Sec. 11. (a) The total amount of credits allowed under this
15 chapter may not exceed thirty million dollars (\$30,000,000) for all
16 taxpayers in a taxable year.

17 (b) The total amount of credits allowed under this chapter for
18 contributions to a scholarship organization may not exceed twenty
19 million dollars (\$20,000,000) for all taxpayers in a taxable year.

20 (c) The total amount of credits allowed under this chapter for
21 contributions to a public school support organization may not
22 exceed ten million dollars (\$10,000,000) for all taxpayers in a
23 taxable year.

24 Sec. 12. (a) If a pass through entity is entitled to a credit under
25 section 10 of this chapter but does not have state tax liability
26 against which the tax credit may be applied, an individual taxpayer
27 who is a shareholder, partner, or member of the pass through
28 entity is entitled to a tax credit equal to:

29 (1) the tax credit determined for the pass through entity for
30 the taxable year; multiplied by

31 (2) the percentage of the pass through entity's distributive
32 income to which the individual taxpayer is entitled.

33 (b) The credit provided under subsection (a) is in addition to a
34 tax credit to which an individual taxpayer who is a shareholder,
35 partner, or member of a pass through entity is otherwise entitled
36 under this chapter. However, a pass through entity and an
37 individual taxpayer who is a shareholder, partner, or member of
38 the pass through entity may not claim more than one (1) credit for
39 the same investment.

40 Sec. 13. To receive the credit provided under this chapter, a
41 taxpayer must:

42 (1) claim the credit on the taxpayer's annual state tax return

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16

or returns in the manner prescribed by the department of state revenue; and

(2) submit to the department all information that the department determines is necessary to calculate the credit under this chapter.

Sec. 14. If the amount determined under section 9 or 10 of this chapter for a particular taxpayer and a particular taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the immediately succeeding taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year.

SECTION 2. [EFFECTIVE JANUARY 1, 2003] IC 6-3.1-24, as added by this act, applies to taxable years beginning after December 31, 2002.

C
o
p
y

