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FISCAL IMPACT STATEMENT

LS 6632

BILL NUMBER: HB 1516

NOTE PREPARED: Jan 6, 2013

BILL AMENDED:

SUBJECT: Tax Credit for Donations to Schools.

FIRST AUTHOR: Rep. Bauer

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill expands the credit against Individual and Corporate Adjusted Gross Income (AGI) Tax available under current law for charitable contributions to colleges and universities to include charitable contributions to a school, public or private, that offers instruction at any grade from Kindergarten through Grade 12.

Effective Date: January 1, 2014.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify software applications. They should be able to implement the provisions within the bill with their current level of staffing and resources.

Explanation of State Revenues: This bill alters the Indiana Colleges and Universities Contribution Tax Credit to include charitable donations to a public or private school that offer classes between grades Kindergarten through Grade 12. According to data from the National Center of Education Statistics, this expands the number of qualifying institutions from about 160 campuses to nearly 3,000 institutions. A precise estimate is not feasible due to the lack of data on private school revenue from donations and gifts. Currently, an average of 90,700 taxpayers claim a total of \$8.8 M a year in Indiana Colleges and Universities Contribution Tax Credit. Given the increase in the number of potential institutions and number of families with children attending those schools, the revenue loss from this bill could be significant.

Background Information - The current Indiana Colleges and Universities Contribution Tax Credit is for

contributions by individual and corporate AGI taxpayers to Indiana colleges and universities. The amount of an individual taxpayer’s credit is 50% of the total amount contributed by a taxpayer during a taxable year up to a maximum credit of \$100 for a single return or \$200 for a joint return. The amount of a corporate taxpayer’s credit is equal to 50% of the total amount contributed during a taxable year. However, the credit may not exceed the lesser of 10% of the corporation's AGI Tax liability or \$1,000. The credit is nonrefundable and unused credits may not be carried forward or carried back. Revenue collected by those taxes is deposited in the state General Fund.

The Indiana Department of Education (DOE) reports that over 1.12 M children were enrolled in both public and private elementary and secondary schools in Indiana. The National Center of Education Statistics (NCES) reports that Indiana had 910 active private schools in academic year 2009 and 1,936 active public schools in academic year 2011. The DOE can provide data on contributions received by public schools. The contributions to public schools are in the table below. Total contributions for FY 2007 to FY 2012 provide an average annual increase of about 12.9% in contributions. It is not known how many individuals or corporations made contributions which could be above maximum allowable credit.

Fiscal Year	Total Contributions
FY 2007	\$19.8 M
FY 2008	\$31.7 M
FY 2009	\$36.0 M
FY 2010	\$38.8 M
FY 2011	\$32.9 M
FY 2012	\$36.3 M

Contributions do not make up a large part of the budgets for public institutions, unlike private schools. Private schools receive funding from primarily nonpublic sources: tuition payments and other private sources, such as foundations, religious bodies, alumni contributions and private donors.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue;

Local Agencies Affected:

Information Sources: LSA Income Tax Database: 2005-2010; NCES, *Private School Universe Survey: Table 67. Private Elementary and Secondary Schools, Enrollment, Teachers, and High School Graduates by State.*; NCES, State Education Data Profiles - Indiana; NCES, College Navigator; Indiana Department of Education: DOE Compass - State of Indiana; DOE Bi-annual Financial Database.

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