



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

SB0118 - Revise aggregate limit on education scholarship tax credit programs (Fuller, John )

<b>Status:</b>	As Introduced
----------------	---------------

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)
<b>Net Impact-General Fund Balance:</b>	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)

**Description of fiscal impact:** SB 118 increases the tax credits available under the Innovative Educational Program (IEP) public-school tax credit and the Student Scholarship Organization (SSO) program for non-public schools. This bill would reduce general fund revenue by \$5.2 million in FY 2025, \$6.2 million in FY 2026, and \$5.1 million in FY 2027.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. Under current law, taxpayers can claim a personal or corporate income tax credit for qualified donations to a Student Scholarship Organization (SSO), or to an Innovative Educational Program (IEP). The maximum that a single taxpayer can claim is \$200,000. In TY 2023, the maximum value of total credits that can be claimed is \$2 million for each credit program. Starting with TY 2024, the maximum total credits that can be claimed will increase by 20%, if 80% of the maximum amount of credits are claimed during the previous tax year. Households with two taxpayers can claim a maximum of \$400,000 in total credits during the tax year.
2. Based on the credits claimed in TY 2021, it is assumed that all credits will be claimed for each program each tax year under current law.

- With the maximum value of credits claimed each year, the total SSO credits claimed under current law are assumed to be \$2 million in TY 2023, \$2.4 million in TY 2024, \$2.88 million in TY 2025, and \$3.456 million in TY 2026. The same number of IEP credits are assumed to be claimed each tax year under current law.

<b>Present Law Utilization of Student Scholarship and Innovative Education Program</b>					
Program	<b>Tax Credits</b>				
	<b>TY 2022</b>	<b>TY 2023</b>	<b>TY 2024</b>	<b>TY 2025</b>	<b>TY 2026</b>
IEP	-\$1,000,000	-\$2,000,000	-\$2,400,000	-\$2,880,000	-\$3,456,000
SSO	-\$1,000,000	-\$2,000,000	-\$2,400,000	-\$2,880,000	-\$3,456,000
<b>Total Value of Credits</b>	<b>-\$2,000,000</b>	<b>-\$4,000,000</b>	<b>-\$4,800,000</b>	<b>-\$5,760,000</b>	<b>-\$6,912,000</b>

- SB 118 changes the amount credits that can be claimed to \$10 million SSO credits in TY 2024 and \$12 million in TY 2025. The maximum amount of IEP credits is increased to \$4 million in TY 2024 and \$6 million in TY 2025. For both credits, the maximum value of credits will increase by 20% if up to 80% of the maximum credit amount is claimed the previous tax year starting in TY 2026.
- It is assumed that there is enough interest in both credits for up to \$6 million in credits to be claimed for both the SSO and IEP credit.
- Based on the new credit limits created by SB 118, and a maximum of \$6 million in credits claimed, it is assumed that \$4 million in IEP credits will be claimed for TY 2024, and \$6 million in credits will be claimed in TY 2025 and TY 2026. For SSO credits, it is assumed that \$6 million in credits will be claimed for TY 2024, TY 2025, and TY 2026.

<b>SB 118 Utilization of Student Scholarship and Innovative Education Program Tax Credits</b>					
Program	<b>TY 2022</b>	<b>TY 2023</b>	<b>TY 2024</b>	<b>TY 2025</b>	<b>TY 2026</b>
IEP	-\$1,000,000	-\$2,000,000	-\$4,000,000	-\$6,000,000	-\$6,000,000
SSO	-\$1,000,000	-\$2,000,000	-\$6,000,000	-\$6,000,000	-\$6,000,000
<b>Total Value of Credits</b>	<b>-\$2,000,000</b>	<b>-\$4,000,000</b>	<b>-\$10,000,000</b>	<b>-\$12,000,000</b>	<b>-\$12,000,000</b>

- Based on current law credit assumptions, and the estimated credit usage under SB 118, the proposed bill will reduce income tax liabilities by \$5.2 million in TY 2024, \$6.24 million in TY 2025, and \$5.088 million in TY 2026.
- It is assumed that taxpayers will not change their withholding or estimated payments in anticipation of receiving the tax credits. The proposed changes therefore will reduce general fund revenue when taxpayers file their taxes the following year.
- SB 118 will reduce general fund revenue by \$5.2 million in FY 2025, \$6.24 million in FY 2026, and \$5.088 million in FY 2027, relative to present law.

<b>Change from Present Law Revenue Due to SB 118 as Introduced</b>					
Program	<b>TY 2022</b>	<b>TY 2023</b>	<b>TY 2024</b>	<b>TY 2025</b>	<b>TY 2026</b>
Change IEP	\$0	\$0	-\$1,600,000	-\$3,120,000	-\$2,544,000
Change SSO	\$0	\$0	-\$3,600,000	-\$3,120,000	-\$2,544,000
<b>Total Change in Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$5,200,000</b>	<b>-\$6,240,000</b>	<b>-\$5,088,000</b>

Administrative Costs

10. The changes made by SB 118 can be made as part of the department’s annual change process. DOR does not expect to incur any significant additional costs because of this bill.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>
<b>Department of Revenue</b>	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>
<b>FTE</b>	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>(\$5,200,000)</u>	<u>(\$6,240,000)</u>	<u>(\$5,088,000)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	(\$5,200,000)	(\$6,240,000)	(\$5,088,000)

**Effect on County or Other Local Revenues or Expenditures:**

**Office of Public Instruction**

1. SB 118 changes could increase the IEP contributions by \$1.600 million in FY 2024, \$3.210 million in FY 2025, and \$2.544 million per year in FY2026 and subsequent tax years in school districts Miscellaneous Programs Funds statewide to be spent at the discretion of the trustees, in receiving districts, for innovative education programs.

**NO SPONSOR SIGNATURE**

\_\_\_\_\_  
Sponsor’s Initials

1/12/23  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Budget Director’s Initials

1-11-23  
\_\_\_\_\_  
Date