HCS HBs 1589 & 2307 -- TAX CREDITS (Koenig)

COMMITTEE OF ORIGIN: Standing Committee on Ways and Means

EMPLOYING EX-OFFENDERS TAX CREDIT (Section 135.435, RSMo)

Beginning January 1, 2017, this bill authorizes a taxpayer to receive a tax credit equal to 50% of the amount of any donation made to an organization that works with ex-offenders to reduce recidivism. Tax credits are non-refundable but may be carried forward for four years. A taxpayer must donate at least $100 to receive the credit.

The Department of Corrections is charged with determining whether an organization is qualified. To be qualified, an organization must be a valid 501(c)(3) organization that has reduced recidivism in the group of ex-offenders it has worked with by at least 70%. The director of the department must establish a procedure for taxpayers to determine which organizations are qualified and notify the Department of Revenue of any taxpayer wishing to claim a credit. The Department of Revenue may authorize up to $2 million in tax credits under this section.

The provisions of Section 135.435 will expire six years from the effective date.

This provision of the bill is similar to SCS SB 1137 (2016).

EMPOWERMENT SCHOLARSHIP ACCOUNTS (Sections 135.712 - 135.719 and 166.700 - 166.720)

This bill establishes the "Missouri Empowerment Scholarship Accounts Program" to help ensure the education of student in Missouri.

Beginning in tax year 2016, a taxpayer may make a qualifying contribution to an educational assistance organization and claim a tax credit, as specified in the bill. The tax credit is for 100% of the amount of the contribution. The tax credit may be carried forward for four years and may be transferred, sold, or assigned. The annual cumulative amount of tax credits is limited at $25 million, which will be adjusted for inflation. The Director of the Department of Economic Development must establish a procedure to apportion the amount of tax credits amongst all educational assistance organizations. The director may reapportion those tax credits to educational assistance organizations that have used all, or a certain percentage, of their tax credits.

An educational assistance organization must meet certain requirements, including notifying the Department of Economic Development of its intent to provide scholarship accounts; being a 501(c)(3) organization; providing a receipt to taxpayers for contributions; ensuring that funds are used as specified in the bill; distributing scholarship payments four times per year or in one lump sum as specified, in an amount not to exceed the state adequacy target; providing the Department of Economic Development, upon request, with criminal background checks on all employees and board members; and demonstrating financial accountability and viability, as described in the bill.

Each educational assistance organization must publicly report to the department, by June 1 each year, the name and address of the organization, the name and address of each student who opened a scholarship account, the total number and dollar amount of contributions during the previous calendar year, the total number and dollar amount of scholarship accounts opened during the previous calendar year, and the total number and dollar amount of scholarship accounts opened during the previous year to students eligible for free and reduced lunch. An educational organization can contract with private financial management firms with the supervision of the state.

The Department of Economic Development must provide standardized forms for program participants. It may conduct a financial review or audit of any educational assistance organization if it possesses evidence of fraud. In addition, the department may bar an educational assistance organization from participating if it has failed to comply with program requirements. The department will not receive more than 2% of the qualifying contributions for marketing and administrative expenses or the costs incurred in administering the program, whichever is less.

A student is eligible to receive funds in a Missouri Empowerment Scholarship Account if he or she is identified as having a disability, as specified in the bill. The parent of a qualified student must sign an agreement to enroll the student in a qualified school to receive an education in certain subjects; not enroll the student in a school operated by a district or in a charter school; release the district of residence from the obligation of educating the student; use the Missouri Empowerment Scholarship Account money for only specified purposes; and not use the funds for computer hardware, transportation, or consumable education supplies.

The scholarship accounts are renewable on an annual basis upon request of the parent of a qualified student. Qualified students shall remain eligible for renewal until the student completes high school. If a qualified student withdraws from the program by enrolling in a school other than a qualified school, or is disqualified from the program for violations specified in the bill, the scholarship account shall be closed and any remaining funds returned to the educational assistance organization for redistribution to other qualified students. When a student withdraws from the program, the responsibility for providing an education for that student transfers back to the student's district of residence.

The funds remaining in the scholarship account at the end of a school year shall remain in the account for the following school year. Any funds remaining in the account after graduation may be used for the purposes of higher education as described in the bill. Any funds remaining in the account after graduation from an eligible postsecondary institution or after a period of four years following graduation, whichever occurs first, shall be returned to the educational assistance organization for redistribution to other qualified students. Funds received under Sections 166.700 to 166.700 do not constitute taxable income to the parent of the qualified student.

The Department of Elementary and Secondary Education must conduct or contract for an annual audit of accounts to ensure compliance. The department must also conduct or contract for random quarterly audits of empowerment accounts as needed. A parent or guardian may be disqualified from program participation, if after a hearing before the Commissioner of Education, the parent or guardian is found to have committed an intentional program violation. A parent may appeal the department's decision as described in the bill. The department may refer cases of substantial misuse of moneys to the Attorney General.

A person commits a class A misdemeanor if they are found to have knowingly used moneys for any purposes other than those set forth in the bill. A financial institution is not liable in any civil action for providing the financial information of an account to the Department of Elementary and Secondary Education unless the information provided is false and provided knowingly and with malice.

A qualified school that accepts payment from a parent must not be an agent of the state or federal government. Sections 166.700 to 166.720 do not permit any governmental agency to exercise control or supervision over any qualified school as described in the bill. A qualified school does not have to alter its creed, practices, admissions policy, or curriculum to accept students whose parents make payments from a scholarship account. The state shall bear the burden of establishing that the law is necessary and does not impose any undue burden on a qualified school in any legal proceeding challenging the application of Sections 166.700 to

166.720.

The provisions of the empowerment scholarships will sunset six years after the effective date.

The provisions of the empowerment scholarships are similar to HB 841 (2015) and SB 609 (2016).

CONTRIBUTION TO SCHOOL FOUNDATIONS (Section 135.1910)

Beginning January 1, 2017, this bill authorizes a tax credit in an amount equal to 50% of the taxpayer’s contribution to a qualified organization that provides funding for unmet health, hunger, and hygiene needs for children in school. The amount of the tax credit claimed cannot exceed the amount of the taxpayer's state tax liability for the tax year that the credit is claimed, and the taxpayer is not allowed to claim a tax credit in excess of $50,000 per tax year. Any tax credit that cannot be claimed in the tax year that the contribution was made may be carried over to the next four succeeding taxable years until the full credit has been claimed. A taxpayer's minimum contribution or contributions to a qualified organization or organizations must be $100, except for any excess credit that is being carried over.

The Director of the Department of Social Services must determine, at least annually, which organizations in the state may be classified as qualified organizations and may require the organization seeking the classification to provide any necessary information to make the determination. The director must provide the information to the Director of the Department of Revenue. The director must be subject to the confidentiality and penalty provisions of Section 32.057, RSMo, relating to the disclosure of tax information.

These provisions cannot limit or in any way impair the department's ability to issue tax credits authorized on or before the date the program expires or a taxpayer's ability to redeem the tax credits.

The provisions of Section 135.1910 will expire on December 31, 2022.

This provision of the bill is similar to HB 428 (2015).

FOSTER CHILD EDUCATION FUND (Sections 135.2000, 166.700, and 210.1500)

Beginning January 1, 2017, this bill authorizes a tax credit equal to 50% of a taxpayer's cash donations to an agency approved by the Department of Social Services to receive the donations, oversee the tax credit process, and distribute scholarships to foster children. The donations received are to be used solely for providing scholarships to eligible recipients to attend a private elementary or secondary school in this state. For the donation to qualify for this credit, it must be at least $100 and not more than $50,000. The credit is limited to 50% of the taxpayer's state tax liability for the taxable year the credit is claimed, cannot exceed $25,000 per taxpayer, per taxable year, and is capped at $5 million per fiscal year and issued but not redeemed credit at $15 million per fiscal year. The credit cannot be refunded, or sold, but can be carried forward for three years.

An eligible recipient is a school-aged foster child or recently adopted foster child enrolled in grades K-12 in state protective custody for at least 12 of the last 48 months. The credit is available to individuals, firms, partners, limited liability company members, shareholders, corporations, insurance companies, financial institutions, political subdivisions, express companies, and charitable organizations with Missouri unrelated business taxable income.

A scholarship is an annual grant to eligible recipients to cover all or part of the applicable tuition and fees at a qualified school. The amount must be the lesser of the previous year's tuition and fees for non-scholarship students at the qualified school or 90% of the previous year's average current expenditure per average daily attendance for the student's district of residence or the tuition amount set by the voluntary interdistrict coordinating council for the student's district of residence, if applicable. Any scholarship recipient will continue to be eligible to receive his or her scholarship upon a legal adoption, or after graduation from the qualified school where he or she first received a scholarship if attending a new qualified school.

The Department of Elementary and Secondary Education will establish rules for the approved agencies to implement this credit, issue tax credit certificates, grant scholarships, and prepare and maintain an easy-to-search database containing statewide assessment scores of all scholarship recipients.