

HB 498 -- Educational Tax Credit Scholarships

Sponsor: Robb

This bill establishes the Milton Friedman "Put Parents in Charge" Education Program which authorizes a 65% tax credit beginning with the 2007 tax year for taxpayers who donate to a scholarship-granting organization if the donations are not claimed on the taxpayer's federal income tax return. The credit is nonrefundable but may be carried forward for three years or transferred. The cumulative amount of tax credits cannot exceed \$40 million annually, indexed for inflation. Scholarships must average \$5,000, indexed for inflation.

Eligibility standards for students receiving scholarships include residence in a provisionally accredited, unaccredited, or interim accredited school district; attendance at a public school for the semester before a scholarship is granted or starting school in the state for the first time; and a family income of 185% of the level which qualifies the student for the reduced lunch program.

Scholarships may be given to: (1) a disabled child three years of age or older if the child's parents have nonreimbursed medical expenses in excess of 7.5% of their federal adjusted gross income; and (2) a child identified by the principal and approved by the superintendent on the basis of disciplinary or academic criteria specified in the bill. Public schools are given the right of first acceptance of scholarship recipients, and scholarships may be used at public schools for certain purposes which include tutoring, general educational development (GED), and transportation. Public school districts may opt into the scholarship program.

Scholarship-granting organizations must meet requirements for fiscal soundness, percentage of revenues devoted to educational scholarships, and public reporting. Private schools qualify to accept scholarship students by meeting certain requirements including employee background checks and student assessments. The bill specifies how scholarship checks will be distributed.

The provisions of the bill will expire six years from the effective date, but a child who is receiving a scholarship may continue in the program until completion of the twelfth grade.

The bill contains an emergency clause.