

TAX: CORPORATE INCOME TAX
ISSUE: SCHOLARSHIP CREDITS
BILL NUMBER(S): SB 2314
SPONSOR(S): GRANT
MONTH/YEAR COLLECTION IMPACT BEGINS: JANUARY 1, 2001
DATE OF ANALYSIS: FEBRUARY 1, 2000

SECTION 1: NARRATIVE

a. Current Law:

There is no corporate income tax credit permitted for corporations making contributions to non-profit scholarship funding organizations and eligible schools.

b. Proposed Change:

Establish a corporate income tax credit equal to 65% of all eligible contributions to non-profit scholarship funding organizations and eligible schools. However:

- The total amount of the credit claimed cannot exceed 75% of the amount of the tax due for the taxable year after all other applicable tax credits are applied for credits claimed for contributions to nonprofit scholarship funding organizations
- The total amount of the credit claimed cannot exceed 5% of the amount of the tax due for the taxable year after all other applicable tax credits are applied for credits claimed for contributions to eligible schools.

SECTION 2: DESCRIPTION OF DATA & SOURCES

- Florida Department of Revenue CIT databases
- Florida Department of Education
- 1998 Florida Statistical Abstract
- Florida General Revenue Estimating Conference
- Colorado Legislative Council
- IRS Corporate Income Tax Returns Report 1997

SECTION 3: ASSUMPTIONS & RATIONALE

- Include impact on federal net taxable income with the state credit
- 1997 non profit Contributions reported on federal returns is 4.6% of tax paid
- 2000 CIT is \$1.614 billion
- Low uses all of the national average for school contributions (4.6%)
- Middle uses 5% of base for both public and private contributions
- High uses Colorado estimate (19%)
- 5% growth in CIT

SECTION 4: METHODOLOGY

See attached

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2000-01 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
High	-\$305.7m	0	-\$315.5m
Middle	-\$160.9m	0	-\$166.1m
Low	-\$73.7m	0	-\$76.1m

Consensus Estimate Adopted: 4/14/00	FY 2000-01 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
General Revenue _____ T.F. _____ T.F. _____ T.F. Total State Impact	(160.9)	0	(166.1)
Local Tax Impact			
Total Impact	(160.9)	0	(166.1)

Senate Bill 2314 Scholarship CIT Credit

Limit is 75% of tax due for nonprofit scholarship funding organizations
 Limit is 5% of tax due for public schools

Include Impact on Federal Net Taxable Income with
 the state credit

Amount of Credit	65% of the Contribution
Federal Tax Bracket	34%
State Tax Bracket	5.50%
Amount of Contribution	\$1,000

Benefits to CIT Payer/Contributor

State Tax Credit	(\$650)
Reduction in State Tax Liability	(\$55)
Federal Tax Liability Reduction	(\$340)
Federal Tax Liability Increase	\$240
Total Tax Benefit	(\$805)

1997 Contributions/Federal CIT 4.6%

2000-01 Fiscal Impact	Annualized		Colorado Estimate (millions)
	2000-01	2001-02	
Tax Base	\$1,609	\$1,660.6	\$290.4
Impact #1 (low)	\$73.7	\$76.1	
% of Base	4.6%	4.6%	
Impact #2 (middle) 5% + 5%	\$160.9	\$166.1	
% of Base	10%	10%	
Impact #3 (high)	\$305.7	\$315.5	\$53.8
% of Base	19%	19%	19%

Scenarios for Basic Education Grades 4-8 Student

	Student Type "A"		Student Type "B"	
	Public School	Private School	Public School	Private School
The Previous Year Enrollment				
Scholarship Year Enrollment				
1 "Calculated Amount" per Student	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400
2 State Share of FEFP (61.77% state avg.)	\$ 2,100	\$ 2,100	\$ -	\$ -
3 Maximum Scholarship Amount	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700
4 Cost to the State (65% of scholarship benefit)	\$ 1,105	\$ 1,105	\$ 1,105	\$ 1,105
5 Net Savings to the State (2-4)	\$ 995	\$ 995	\$ (1,105)	\$ (1,105)
School District Effect	\$ (2,100)	\$ (2,100)	\$ -	\$ -

	Best Case		Worst Case	
	Half "A", Half "B"	All "B"	Half "A", Half "B"	All "B"
Savings to the State per Student	\$ (55)	\$ (1,105)	\$ (55)	\$ (1,105)
School District Effect per Student	\$ (1,050)	\$ -	\$ (1,050)	\$ -

Notes

- 1 "Calculated Amt" ranges from just over \$3,000 to \$24,000 depending on the type of student program.
- 2 In the "Best Case", the school district expenditures decrease significantly only if the enrollment drops enough to require fewer teachers.
- 3 Scholarships for students to attend public schools are not applicable since there are no tuition, transportation or textbook fees.