

TAX: Corporate Income Tax

ISSUE: Reduction of small business reserve in Scholarship Funding Tax Credit

BILL NUMBER(S): SB 2978

SPONSOR(S): Committee on Education

MONTH/YEAR COLLECTION IMPACT BEGINS: UBL

DATE OF ANALYSIS: March 22, 2004

SECTION 1: NARRATIVE

a. Current Law: Provides for a credit against corporate income tax for 100% of eligible contributions made by taxpayers to eligible nonprofit scholarship funding organizations. The total amount of tax credit that may be granted is \$88 million annually, and at least 5% of the \$88 million is reserved for small businesses. Each taxpayer, including an affiliated group filing a consolidated corporate income tax return, is limited to 75% of the corporate income tax liability. A taxpayer may not contribute more than \$5 million annually to any single eligible nonprofit scholarship funding organization.

b. Proposed Change: Only 1% of the \$88 million will be reserved for small business. Taxpayers may rescind their application for credit and the amount rescinded shall be available to other taxpayers applying for credit.

SECTION 2: DESCRIPTION OF DATA & SOURCES

DOR SFO Tax Credit awards by month.

Revenue Estimating Conference Impact Conference Results, 2003 Regular and Special Sessions

Revenue Estimating Conference Impact Conference Results, 2001 Regular Session.

SECTION 3: ASSUMPTIONS & RATIONALE

Large Corporations will continue to contribute the maximum amount.

Small Corporations will contribute no more than \$200,000 annually.

SECTION 4: METHODOLOGY

See attached.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact—All Funds	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High			
Middle	(\$3.5) Million	(\$1.8) Million	(\$3.5) Million
Low			

Consensus Estimate: Adopted: 3 / 26 / 04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue	-\$3.5	-\$1.8	-\$3.5
Total State Impact			
Total Local Impact			
Total Impact	-\$3.5	-\$1.8	-\$3.5

SB 2978

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<i>Current Situation with 5% set aside for small business</i>							
	REC	Limit	5% of Limit	Small Business Setaside used	Large Corp Credit Avail.	Large Corp Credit used	
2002-03	-47.7	-50	-2.5	-0.2	-47.5	100%	
2003-04	-47.7	-50	-2.5	-0.1	-47.5	100%	
2004-05	-47.7	-50	-2.5	-0.2	-47.5	100%	
2005-06	-83.8	-88	-4.4	-0.2	-83.6	100%	
2006-07	-83.8	-88	-4.4	-0.2	-83.6	100%	

<i>Proposed New Situation with 1% set aside for small business</i>							
	REC	Limit	1% of limit	Small Business Setaside used	Large Corp Credit Avail.	Large Corp Credit used	
2002-03	-47.7	-50					
2003-04	-47.7	-50					
2004-05	-47.7	-50	-0.5	-0.2	-49.5	100%	
2005-06	-83.8	-88	-0.88	-0.2	-87.1	100%	
2006-07	-83.8	-88	-0.88	-0.2	-87.1	100%	

Impact Estimate			
	Total Credits Claimed	REC	Impact
2004-05	-49.5	-47.7	-1.8
2005-06	-87.3	-83.8	-3.5
2006-07	-87.3	-83.8	-3.5