



# Foundation for Education Reform & Accountability

## Overview of EDUCATION TAX CREDIT PROGRAMS IN OTHER STATES

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### **ARIZONA** (1997; 2006; 2009)

#### ***Personal and Corporate Tax Credits for Student Tuitioning Organizations***

All public and private school students in grades K-12 are eligible to receive scholarships from approved School Tuition Organizations (STO), which are funded by contributions made through a direct tax credit program. Individual taxpayers contributing to STOs can claim a dollar-for-dollar credit up to \$500, and married couples filing jointly can claim up to \$1,000. Contributions may be made through payroll deductions. Up to \$200 in tax credit also can be claimed by parents for fees charged for public schools' extracurricular activities or character education programs. There is no cap on the value of the scholarships offered by STOs. In the 2009-10 school year, more than \$55 million was donated to the program, allowing 55 STOs to provide nearly 29,000 scholarships for students to attend 373 different participating schools.

Corporations making donations to STOs may receive dollar-for-dollar income tax credits and insurance premium tax credits. While the value of the donations that corporations may make is unlimited, credits are limited to \$5 million annually for each corporation. The program has a statewide cap of \$17.3 million in tax credits in 2010 and the cap increases by 20 percent each year. The maximum values of the scholarships are \$4,400 for grades K-8 and \$5,700 for grades 9-12 and they increase by \$100 a year. Unlike Arizona's scholarships funded by individuals, students receiving scholarships funded by corporations must have family incomes below 185 percent of the federal poverty level and have attended public schools or be entering kindergarten. In the 2009-10 school year, nearly \$7 million was donated, allowing 19 STOs to provide nearly 2,600 scholarships for students to attend 176 participating schools.

In 2009, Arizona converted a voucher program for students with disabilities or who have been in foster care into a corporate education tax credit program known as Lexie's Law. It provides corporations with a dollar-for-dollar tax credit for donations made to SFOs to support scholarships for students with disabilities or children who have been placed in foster care. The value of the donations that corporations may make is unlimited but there is a statewide cap of \$5 million annually. The value of the scholarships for individual students are capped at the amount it would cost the state to send students to an applicable public school. In 2009-10, almost \$3 million was donated, allowing 470 students receiving scholarships to attend more than 100 schools of their choice.

### **FLORIDA** (2001)

#### ***Corporate Tax Credit Scholarship Program***

Businesses can receive a dollar-for-dollar tax credit off their corporate income taxes or insurance premium taxes for contributions to Scholarship Funding Organizations (SFO). SFOs provide scholarships worth up to \$3,950 for low-income students to attend private schools or \$500 scholarships to cover the cost of transportation to attend another public schools of the students'

choice. Businesses may not apply the tax credits towards more than 75% of the amount of their annual income tax liability. In 2010, the annual cap on total corporate contributions was raised to \$140 million. Students eligible for scholarships have an annual household income of 185 percent of the federal poverty level (those qualifying for the federal free or reduced-priced meals program) and have attended a Florida public school or be entering kindergarten or first grade. Students receiving scholarships must take a nationally norm-referenced test or the state assessments for public schools. In 2009-10, two participating SFOs awarded \$96 million in scholarships to nearly 27,000 students attending 975 schools.

**GEORGIA** (2008)

***Personal and Corporate Tax Credits for Student Scholarship Organizations***

Individuals and corporations may receive income tax credits for donations to Student Scholarship Organizations (SSOs). Individuals may claim a dollar-for-dollar tax credit of up to \$1,000 and married couples filing jointly may claim a credit of up to \$2,500. Corporate taxpayers may claim a dollar-for-dollar credit for donations up to 75 percent of their total tax liability. The program has a \$50 million cap in tax credits per year. Eligible students must have attended a Georgia public school or be entering kindergarten or first grade. In 2009-10, 11 SSOs supported 1,900 students with scholarships valued at \$13 million.

**ILLINOIS** (1999)

***Tax Credits for Educational Expenses***

Families may receive a tax credit of 25 percent credit for expenditures above \$250, up to a maximum of \$500, on approved education expenses at any private or public school, including tuition, books, and lab fees. The credit is non-refundable and all families of Illinois students are eligible for this program. In 2009, approximately 183,500 families saved more than \$71 million by claiming the tax credit.

**INDIANA** (2009)

***Personal and Corporate Tax Credits for Student Scholarship Organizations***

Individual and corporate taxpayers may claim a tax credit equal to 50 percent of the donation made to Scholarship Organizations (SOs). While there is no limit on the donation that may be claimed, there is a statewide cap of \$2.5 million in credits and credits may not be carried over from year to year. Students are eligible for scholarships if they have an annual household income below 200 percent of the federal poverty level and attended an Indiana public school for the previous academic year or are enrolling in kindergarten. Students receiving scholarships must take a nationally norm-referenced assessment.

**IOWA** (1987 and 2006)

***Personal and Corporate Tax Credits for Tuition and Student Tuitioning Organizations***

Families of public and private school students are eligible to receive a maximum tax credit of \$250 – 25 percent of the first \$1,000 spent – to cover tuition and textbook costs, where such expenses apply to subjects legally taught in Iowa's public elementary and secondary schools. Costs for extracurricular activities such as sporting events, musical or dramatic events, speech activities, driver's education, and other programs also qualify for the credit. The credit is non-refundable.

In 2006, Iowa adopted a personal income tax credit for donations made to STOs. Credits are worth 65 percent of the value of the donation. There is also a statewide cap of \$7.5 million on the amount of scholarships that may be awarded. Each STO's share of the tax credits it may award is based on the enrollment at the schools it serves. Students eligible for scholarships must come from families with incomes that do not exceed 300 percent of the federal poverty level and may have been attending private schools prior to receive a scholarship from an STO. For the 2009-10 school year, 11 participating STPs awarded \$11.4 million in scholarships to more than 9,600 students. In 2009, the program extended to corporate donors, whose tax credits may constitute up to 25% of the \$7.5 million cap. In 2009, nearly 8,750 students received scholarships totaling \$7.5 million from 11 STOs to attend 156 participating schools.

### **LOUISIANA** (2009)

#### ***Elementary and Secondary School Tuition Deductions***

Taxpayers may claim a personal tax deduction worth 50 percent of their total amount of educational expenses such as tuition, fees, textbooks, uniforms, school supplies, and curricular materials. Credits cover eligible educational expenses incurred by attendance at a private school, public school, university-run "lab" school, or home school. The maximum total deduction is \$5,000 per child. All K-12 students in Louisiana are eligible.

### **MINNESOTA** (1955)

#### ***Tax Deductions and Credits***

Taxpayers are eligible to receive a tax credit and a tax deduction when they invest in approved education expenses, including books, tutors, academic after school programs, and, in the case of the tax deduction, tuition fees at private schools. The tax deduction allows all taxpayers to receive a 100 percent state tax deduction of up to \$1,625 per child in K-6 and \$2,500 for a child in 7-12.

Taxpayers earning less than \$33,500 can claim a maximum refundable credit of \$1,000 per child; families with incomes less than \$37,500 receive a partial credit. The credit can be claimed for 75 percent of allowable education expenses incurred. Expenses that exceed the limit of the credit may be claimed as a deduction in accordance with the limits noted above.

### **PENNSYLVANIA** (2001)

#### ***Educational Improvement Tax Credits***

Companies can claim tax credits for contributions to Scholarship Organizations (SOs) that grant scholarships to eligible children to attend public, private, or religious schools. Contributions to SOs that partner with local public schools to support innovative programs also are eligible for the credit. Corporations may claim 75 percent of their total single-year contribution to a maximum of \$300,000, or 90 percent if the company commits to a consecutive two-year contribution. The limit on total tax credits that can be authorized in the state is \$44.6 million for donations to scholarship organizations, \$22.3 million for educational improvements and \$8.0 million for a separate pre-kindergarten scholarship program. To be eligible to receive a scholarship, families must earn no more than \$60,000 per year, with an additional \$12,000 allowance for each dependent in the family. Students attending public and private schools are eligible to receive scholarships from SOs. In 2008-09, nearly 45,000 students in grades PK-12 benefitted from 353 SOs granting \$49.3 million in scholarships.

**RHODE ISLAND** (2006)

***Corporate Tax Credit Scholarship Program***

Companies may receive a credit on corporate income taxes for donations to Scholarship Organizations (SOs). Credits are valued at 75 percent of the contributions made or 90 percent if a second-year donation is worth at least 80 percent of the first year's donation. Credits claimed may be up to \$100,000 per corporation, but the statewide program of available total credits that may be claimed is capped at \$1 million. There is no limit on the value of scholarships provided and eligible students must come from families with incomes of up to 250 percent of the federal poverty level.

Sources: *The ABCs of School Choice, 2009-10 Edition*, Friedman Foundation for Educational Choice; *Fighting for Opportunity: School Choice Yearbook 2000-10 Edition*, Alliance for School Choice