



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, Second Regular Session*

**AMENDED**  
FACT SHEET FOR H.B. 2278

alternative mathematics graduation pathway  
(NOW: school tuition organizations; revisions; credit)

Purpose

Prohibits a school tuition organization (STO) from issuing a scholarship or grant that exceeds the amount of the school's tuition. Repeals, effective, January 1, 2023, the individual Credit for Contributions to Certified STOs and increases the contributions cap on the individual Credit for Contributions to STOs and the aggregate cap on the corporate Credit for Contributions to STOs for Displaced or Disabled Students.

Background

An STO is a nonprofit organization exempt from federal taxation that allocates at least 90 percent of its revenue for educational scholarships or tuition grants to attend nongovernmental elementary or secondary schools. Subject to specified limitations, there are four credits a corporation, insurer or individual may receive against income tax liability for contributions made to an STO: 1) the corporate and insurer Credit for Contributions to STOs; 2) the corporate and insurer Credit for Contributions to STOs for Displaced or Disabled Students; 3) the individual Credit for Contributions to STOs; and 4) the individual Credit for Contributions to Certified STOs (A.R.S. §§ [43-1089](#); [43-1089.03](#); [43-1183](#); [43-1184](#); [43-1505](#); and [43-1603](#)).

The Joint Legislative Budget Committee fiscal note estimates that H.B. 2278, as amended by Senate Appropriations will reduce state General Fund revenues by \$2,000,000 in FY 2023, \$10,900,000 in FY 2024 and \$11,000,000 in FY 2025.

Provisions

1. Prohibits an STO from issuing an educational scholarship or tuition grant that exceeds the amount of the school's tuition.
2. Repeals, effective January 1, 2023, the individual Credit for Contributions to Certified STOs.
3. Increases, beginning TY 2023, the cap on the individual Credit for Contributions to STOs:
  - a) from \$500 to \$1,493 in any taxable year for a single individual or head of household; and
  - b) from \$1,000 to \$2,983 in any taxable year for a married couple filing jointly.
4. Suspends, until TY 2024, the requirement for Arizona Department of Revenue (ADOR) to annually adjust the amount of the individual Credit for Contributions to STOs.

5. Increases, from \$6,000,000 to \$8,000,000, the FY 2023 aggregate cap for the corporate Credit for Contributions to STOs for Displaced or Disabled Students and requires, beginning FY 2024, the aggregate cap to be annually increased by 2 percent.
6. Prohibits an STO, to be eligible for certification and retention of certification, from requiring a student or the student's family to provide a good or service that benefits the STO in exchange for awarding the student an educational scholarship or tuition grant.
7. Specifies that any contributions made for the individual Credit for Contributions to Certified STOs not allocated before January 1, 2023, are subject to statutes currently governing the contributions.
8. Requires each STO, for any contributions not allocated before January 1, 2023, to include the statutorily required contribution information in their annual report.
9. Expands the definition of a *qualified student* for the corporate Credit for Contributions to STOs for Displaced or Disabled Students to include a child who is identified as having a disability by a public school system in another state or through an independent education evaluation by a qualified examiner.
10. Defines *qualified examiner* as a licensed physician, psychiatrist or psychologist.
11. Contains a savings clause.
12. Makes technical and conforming changes.
13. Becomes effective on the general effective date.

Amendments Adopted by Committee

- Adopted the strike-everything amendment.

Amendments Adopted by Committee of the Whole

1. Prohibits an STO from issuing an educational scholarship or tuition grant that exceeds the amount of the school's tuition.
2. Replaces the TY 2023 increase of the individual Credit for Contributions to STOs with an increase, beginning January 1, 2023, of the cap on the individual Credit for Contributions to STOs from:
  - a. \$1,243 to \$1,493 in any taxable year for a single individual or head of household; and
  - b. \$2,483 to \$2,983 in any taxable year for a married couple filing jointly.
3. Delays, until January 1, 2023, the repeal of the individual Credit for Contributions to Certified STOs.
4. Delays, until FY 2023, the increase of the aggregate cap for the corporate Credit for Contributions to STOs for Displaced or Disabled Students.

5. Suspends, until TY 2024, the requirement for ADOR to annually adjust the amount of the individual Credit for Contributions to STOs.
6. Specifies that any contributions made for the individual Credit for Contributions to Certified STOs not allocated before January 1, 2023, are subject to statutes currently governing the contributions.
7. Requires each STO, for any contributions not allocated before January 1, 2023, to include the statutorily required contribution information in their annual report.
8. Adds a savings clause.

Senate Action

ED	3/28/22	W/D	
APPROP	3/29/22	DPA/SE	6-4-0

Prepared by Senate Research

June 22, 2022

MG/slp