

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7351

BILL NUMBER: SB 342

NOTE PREPARED: Jan 3, 2021

BILL AMENDED:

SUBJECT: State Tax Credit for K-12 Education Contributions.

FIRST AUTHOR: Sen. Buchanan

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill provides a 25% state tax credit to taxpayers that contribute to a public elementary school or public secondary school located in Indiana or a foundation organized and operated solely for the benefit of an Indiana public school. The bill sets forth standards that apply to taking the credit and to schools and foundations that receive contributions. It limits the total credits that may be claimed during a state fiscal year.

Effective Date: July 1, 2021.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes made by the bill. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Summary-* The bill establishes a tax credit for contributions made by a taxpayer to public elementary or secondary schools or nonprofit public school foundations. The tax credit is equal to 25% of the contribution. The tax credit is nonrefundable and unused credits may not be carried back, but any unused credit may be carried forward for up to nine succeeding taxable years. The tax credit may be applied to Individual Adjusted Gross Income (AGI) Tax, Corporate AGI Tax, Insurance Premiums Tax, or Financial Institutions Tax.

The tax credit is effective beginning in tax year 2022, and the provision may decrease revenue deposited into the General Fund beginning in FY 2023. The bill caps the total amount of credits that may be awarded in a state fiscal year, so while the revenue impact is currently indeterminable and will depend on the amount of contributions made, the annual state revenue loss cannot exceed \$10 M.

Additional Information - Public School Foundations: Indiana public school foundations are nonprofit 501(c)(3) corporations established to provide financial support to public school corporations. The foundations are established to hold donation proceeds for the purpose of funding scholarships, teacher education, capital programs, and special programs. Donations to public school foundations are from individuals, businesses, corporate sponsorships, other foundation endowments, and special event revenues. Contributions from individuals and businesses comprise a substantial portion of the revenue.

According to a study submitted to Ball State University, there were 72 known public school foundations in 2012. The study estimated the revenue received by 49 of those foundations to be about \$10 M. The amount of annual contributions currently made to public school foundations is unknown at this time. A research partnership between Indiana University and Giving USA found that contributions to education organizations rose by more than 7% between 2012 and 2013.

Contributions to Public Schools: Data from the Indiana Department of Education shows that about \$68.3 M was donated to public elementary and secondary schools in FY 2020. This amount includes contributions from educational foundations, PTA/PTO organizations, campus booster clubs, private individuals, and businesses. The amount includes contributions that come from public school foundations, but the data does not distinguish between donation type and does not show the number and amount of individual contributions. Thus, a precise fiscal impact cannot be determined due to insufficient detail about the donations.

Explanation of Local Expenditures: Public school corporations must annually provide the DOR certain information related to the qualifying contributions received. This provision can likely be accomplished within existing resources.

Explanation of Local Revenues: To the extent that the tax credit results in increasing the amount of donations to public schools and public school foundations, it could increase the total revenues to school corporations in Indiana.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: School corporations.

Information Sources: Effectiveness of Indiana Public Education Foundations, http://cardinalsolar.bsu.edu/bitstream/handle/123456789/196973/CruiserA_2012-1_BODY.pdf;sequence=1; Giving USA 2014 Report, <https://www.schoolfoundations.org/giving-usa-2014-report>; Indiana Department of Education Databases.

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