

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

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FISCAL IMPACT STATEMENT

LS 7351

BILL NUMBER: SB 342

NOTE PREPARED: Feb 19, 2021

BILL AMENDED: Feb 16, 2021

SUBJECT: State Tax Credit for Public School Foundation Contributions.

FIRST AUTHOR: Sen. Buchanan

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides a 25% state tax credit for contributions made to a public school foundation for taxable years beginning after December 31, 2021, and before January 1, 2024. It provides that the amount allowable as a credit in a taxable year may not exceed: (1) \$1,000 in the case of an individual filing a single return or a corporation; or (2) \$2,000 in the case of a married couple filing a joint return. It provides that the maximum amount of credits that may be awarded in a state fiscal year to \$5 M.

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 nonprofit public school foundations. The tax credit is equal to 25% of the contribution, up to \$1,000 for single tax filers and corporations, and up to \$2,000 for taxpayers filing jointly. Excess credit may be carried forward to succeeding taxable years. The tax credit is nonrefundable and unused credits may not be carried back. 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 \$5 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.

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that the tax credit results in increasing the amount of donations to 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://cardinalscholar.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>.

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