



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 800

PRINTERS NO. 1676

PRIME SPONSOR: Turzai

COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
General Fund	\$0	See Fiscal Impact

SUMMARY:

House Bill 800 amends Article XX-B of the Public School Code concerning educational tax credits. It would take effect on July 1, 2019, or immediately, whichever is later, unless otherwise noted below.

ANALYSIS:

House Bill 800 makes changes to the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs concerning definitions and limitations.

Within the EITC program, the definitions of educational improvement organization, pre-kindergarten scholarship organization, and scholarship organization are adjusted to increase the amount of each organization's cash receipts that must be contributed to scholarships, from 80% of such receipts to 90%. The same change is also made to the definition of opportunity scholarship organization within the OSTC program.

There are three definitions in Article XX-B that define which students are eligible for the EITC and OSTC programs. They are eligible pre-kindergarten student, eligible student, and eligible student with a disability. House Bill 800 expands each definition to include a student who received a scholarship or opportunity scholarship in any prior year. The bill also increases the maximum household income for a student in either program from \$85,000 to \$95,000.

This legislation adds a definition for "qualified subchapter S trust" to the EITC and OSTC programs as well. These trusts are then incorporated into the definition of "pass-through entity" in current law. These changes would apply retroactively to January 1, 2015.

House Bill 800 also increases the tax credits available under the EITC program for scholarship organizations and provides for future increases. Under current law the maximum amount of tax credits available to scholarship organizations in a fiscal year is \$110 million and HB 800 would increase that amount by \$100 million to \$210 million for 2019-20 and thereafter.

Finally, HB 800 adds an automatic increase for the total tax credits available to scholarship organizations. The Department of Community and Economic Development must annually increase the dollar amount available for scholarship organizations by 10% if more than 90% of the total aggregate amount of the tax credits were used in the prior fiscal year, and the General Assembly had not otherwise enacted an increase for that year.

FISCAL IMPACT:

Enactment of this legislation would increase the total aggregate amount available to provide tax credits for contributions from business firms to scholarship organizations by \$100 million, to a total of \$210 million. Therefore, the bill could result in a reduction to General Fund revenues of up to \$100 million beginning in 2019-20.

In addition, the bill provides for an escalation of this \$210 million by 10% if more than 90% of the total aggregate amount of the tax credits are used in the prior fiscal year. This could result in a reduction to General Fund revenues of up to an additional \$21 million in 2020-21 if more than \$189 million of the credits are used in 2019-20. These 10% increases in scholarship organization tax credits could continue in subsequent fiscal years, along with the potential for commensurate reductions in General Fund revenue, unless the General Assembly otherwise enacts an increase in this dollar amount in a fiscal year. Then, the 10% increase would not apply regardless of what portion of the tax credits were used in the prior fiscal year.

PREPARED BY: Jeff Miller
House Appropriations Committee (R)

DATE: May 6, 2019

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.