



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1642

PRINTERS NO. 2372

PRIME SPONSOR: White

COST / (SAVINGS)

FUND	FY 2021/22	FY 2022/23
General Fund	\$0	\$0

SUMMARY:

House Bill 1642 amends the Public School Code concerning educational tax credits. It would take effect July 1, 2022, or immediately, whichever is later.

ANALYSIS:

House Bill 1642 makes several changes to Article XX-B of the Public School Code concerning educational tax credits. The changes are summarized by section below.

Section 2002-B. Definitions. -- Several changes to definitions in this section are made. The definition of "economically disadvantaged school" is changed from a school at which at least 75% of the students attending received an Educational Improvement Tax Credit (EITC) or Opportunity Scholarship Tax Credit (OSTC) scholarship to 51%. It also adjusts the definition to require that students within the school receive scholarships of at least \$1,000 from the EITC program or OSTC program. The definition of "household income" is clarified to indicate payments received from any governmental agency as economic relief from the COVID-19 pandemic are not included as income. A definition of "Tax year" is added. A definition of "Fiscal year" which coincides with the Commonwealth's fiscal year is also added.

Section 2003-B. Qualification and application by organizations. - Changes to this section include scholarship organizations for economically disadvantaged schools applicable to both the Opportunity Scholarship and Educational Improvement Scholarship programs.

Section 2004-B. Application by business firms. - This section is amended to allow business firms that apply for a tax credit for students attending economically disadvantaged schools to do so separately. The contribution must be made to the designated scholarship organization for the economically disadvantaged schools and shall be separately accounted for and distributed by the designated scholarship organization.

Section 2005-B. Tax credits. - Language added to this section states that if all tax credits for contributions to the various scholarship organizations have not been awarded by November 30 of any fiscal year, then for applications accepted from December 1 through the end of the fiscal

year, limitations set on the maximum amount of tax credits a business firm can receive during a fiscal year are lifted, and credits can be awarded on a first-come, first-served basis until all tax credits available for the fiscal year have been exhausted. Clarifications are also made to this section concerning tax and fiscal years, as well as deletions consistent with changes made to Section 2006-B.

Section 2006-B. Limitations. -- In current law, this section provides for a total of \$225 million in Educational Improvement Tax Credits (EITC) and a total of \$55 million in Opportunity Scholarship Tax Credits (OSTC). This legislation increases the total aggregate amount of all tax credits approved for contributions from business firms to scholarship organizations, educational improvement organizations and pre-kindergarten scholarship organizations in the EITC program by \$5,000,000, to \$230,000,000. For the EITC program, it provides that no less than \$5,000,000 of the total aggregate amount must be used to provide tax credits for contributions from business firms to increase scholarships for students attending an economically disadvantaged school. To the extent that the total amount of scholarships, pre-kindergarten scholarships and opportunity scholarships will not exceed the lesser of \$8,500 or the school's tuition, the amount of the scholarship or pre-kindergarten scholarship will be increased by up to \$2,000 or, in the case of a scholarship for a secondary school, by up to \$4,000. A similar set aside in the OSTC program is eliminated. The amount of tax credits available under the OSTC program decreases from \$55 million to \$50 million. Therefore, the total amount of tax credits available under both the EITC and OSTC programs does not change.

Section 2009-B. Opportunity scholarships. - Changes to this section remove exceptions to the maximum amount of an opportunity scholarship awarded to an applicant without a disability being set at \$8,500 and the maximum amount of an opportunity scholarship awarded to an applicant with a disability being set at \$15,000. Certain reporting requirements are also changed to be consistent with other changes in the bill.

FISCAL IMPACT:

Enactment of this legislation will have no adverse impact on Commonwealth funds.

PREPARED BY: Jeff Miller
House Appropriations Committee (R)

DATE: December 15, 2021

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