

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 91

PRINTER'S NO. 4289

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

January 14, 2013

PRIME SPONSOR

Representative Evankovich

DESCRIPTION AND PURPOSE OF BILL

House Bill 91, as amended, amends the Tax Reform Code of 1971 (Act 2 of 1971) by consolidating the Educational Improvement Tax Credit ("EITC") and Educational Opportunity Scholarship Tax Credit ("EOSTC") programs into one article in the Tax Reform Code of 1971 ("TRC"). The legislation also makes changes intended to improve implementation and usage of the tax credit programs.

The legislation repeals Article XVII-G.1 of the TRC relating to the EOSTC and renames Article XVII-F of the TRC "Educational Tax Credits". In addition to combing the EITC and EOSTC programs into one article, House Bill 91, as amended, makes the following changes:

- Adds the Malt Beverage Tax to the list of taxes to which credits could be applied.
- Adds the definition of "career and technical school" and clarifies that such schools are eligible to receive business donations within the credit program.
- Permits the distribution of tax credits through more than one level of pass-through entities.
- Provides for the creation of special purpose business firms, which are funded by owners or employees of business firms and the purpose of which is to make contributions that will qualify for tax credits.
- Adds five-year old and six-year old students (excluding kindergarten students) to the definition of "Pre-kindergarten program".
- Permits tax credits that are distributed to a partner, member or shareholder to be applied to the income of a spouse who files a joint tax return with the partner, member or shareholder.
- Facilitates the effective use of tax credits by making the following changes:
 - Allows a business firm to apply for an alternate tax credit among the categories of eligible programs if its preferred credit is unavailable.

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- Re-awards tax credits from a waiting list if an awardee does not timely make a contribution.
- Removes the individual cap on tax credits that go unused and reallocates these tax credits from November 1 through December 31.
- Allows the Department of Community and Economic Development to transfer unused tax credits from one program to another after January 1st of each fiscal year.

The act shall take effect immediately.

FISCAL IMPACT:

Enactment of House Bill 91 will have no fiscal impact on Commonwealth funds because it does not change the overall cap on the EITC/EOSTC program.