

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1330 Session of
2011

INTRODUCED BY QUIGLEY, CLYMER, GABLER, COX, ADOLPH, AUMENT,
BAKER, BARRAR, BEAR, BENNINGHOFF, BLOOM, BOBACK, BOYD,
B. BOYLE, BRADFORD, BRENNAN, CALTAGIRONE, CAUSER, CHRISTIANA,
CONKLIN, D. COSTA, P. COSTA, CREIGHTON, CUTLER, DAY,
DELOZIER, DeLUCA, DENLINGER, DePASQUALE, DiGIROLAMO, ELLIS,
J. EVANS, EVERETT, FARRY, FLECK, GEIST, GERGELY, GIBBONS,
GILLEN, GINGRICH, GODSHALL, GRELL, GROVE, HACKETT, HARKINS,
HARPER, HARRIS, HEFFLEY, HENNESSEY, HESS, HORNAMAN,
HUTCHINSON, KAUFFMAN, M. K. KELLER, W. KELLER, KILLION,
KNOWLES, KORTZ, KOTIK, KRIEGER, KULA, MAJOR, MALONEY, MANN,
MARSHALL, MARSICO, McGEEHAN, METCALFE, METZGAR, MICCARELLI,
MICOZZIE, MILLARD, MILLER, MILNE, MOUL, MURPHY, MURT, MUSTIO,
MYERS, M. O'BRIEN, O'NEILL, PAYTON, PEIFER, PETRI, PYLE,
QUINN, RAPP, READSHAW, REED, REESE, REICHLEY, ROAE, ROCK,
SABATINA, SANTONI, SAYLOR, SCAVELLO, SCHRODER, SHAPIRO,
SONNEY, STEPHENS, STERN, STEVENSON, TALLMAN, J. TAYLOR,
TOEPEL, TURZAI, VEREB, VULAKOVICH, WAGNER, WATERS AND
LAWRENCE, APRIL 11, 2011

AS REPORTED FROM COMMITTEE ON EDUCATION, HOUSE OF
REPRESENTATIVES, AS AMENDED, APRIL 26, 2011

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," providing for educational improvement
6 tax credit; and repealing provisions of the Tax Reform Code
7 of 1971 relating to educational improvement tax credit.

8 The General Assembly of the Commonwealth of Pennsylvania

9 hereby enacts as follows:

10 Section 1. The act of March 10, 1949 (P.L.30, No.14), known
11 as the Public School Code of 1949, is amended by adding an

1 article to read:

2 ARTICLE XXV-B

3 EDUCATIONAL IMPROVEMENT TAX CREDIT

4 Section 2501-B. Definitions.

5 The following words and phrases when used in this article
6 shall have the meanings given to them in this section unless the
7 context clearly indicates otherwise:

8 "Business firm." An entity authorized to do business in this
9 Commonwealth and subject to taxes imposed under Article III, IV,
10 VI, VII, VIII, IX or XV of the act of March 4, 1971 (P.L.6,
11 No.2), known as the Tax Reform Code of 1971. The term includes a
12 pass-through entity.

13 "Contribution." A donation of cash, personal property or
14 services, the value of which is the net cost of the donation to
15 the donor or the pro rata hourly wage, including benefits, of
16 the individual performing the services.

17 "Department." The Department of Community and Economic
18 Development of the Commonwealth.

19 "Educational improvement organization." A nonprofit entity
20 which:

21 (1) is exempt from Federal taxation under section 501(c)
22 (3) of the Internal Revenue Code of 1986 (Public Law 99-514,
23 26 U.S.C. § 1 et seq.); and

24 (2) contributes at least 80% of its annual receipts as
25 grants to a public school, a chartered school as defined in
26 section 1376.1 or a private school approved under section
27 1376 for innovative educational programs.

28 For purposes of this definition, a nonprofit entity

29 "contributes" its annual cash receipts when it expends or
30 otherwise irrevocably encumbers those funds for expenditure

1 during the then current fiscal year of the nonprofit entity or
2 during the next succeeding fiscal year of the nonprofit entity.
3 A "nonprofit entity" includes a school district foundation,
4 public school foundation, charter school foundation or cyber
5 charter school foundation.

6 "Eligible prekindergarten student." A student, including an
7 eligible student with a disability, who is enrolled in a
8 prekindergarten program and is a member of a household with a
9 maximum annual household income as increased by the applicable
10 income allowance.

11 "Eligible student." A school-age student, including an
12 eligible student with a disability, who is enrolled in a school
13 and is a member of a household with a maximum annual household
14 income as increased by the applicable income allowance.

15 "Eligible student with a disability." A prekindergarten
16 student or a school-age student who meets all of the following:

17 (1) Is either enrolled in a special education school or
18 has otherwise been identified, in accordance with 22 Pa. Code
19 Ch. 14 (relating to special education services and programs),
20 as a "child with a disability," as defined in 34 CFR § 300.8
21 (relating to child with a disability).

22 (2) Needs special education and related services.

23 (3) Is enrolled in a prekindergarten program or in a
24 school.

25 (4) Is a member of a household with a household income
26 of not more than the maximum annual household income.

27 "Household." An individual living alone or with the
28 following: a spouse, parent and their unemancipated minor
29 children, other unemancipated minor children who are related by
30 blood or marriage or other adults or unemancipated minor

1 children living in the household who are dependent upon the
2 individual.

3 "Household income." All moneys or property received of
4 whatever nature and from whatever source derived. The term does
5 not include the following:

6 (1) Periodic payments for sickness and disability other
7 than regular wages received during a period of sickness or
8 disability.

9 (2) Disability, retirement or other payments arising
10 under workers' compensation acts, occupational disease acts
11 and similar legislation by any government.

12 (3) Payments commonly recognized as old-age or
13 retirement benefits paid to persons retired from service
14 after reaching a specific age or after a stated period of
15 employment.

16 (4) Payments commonly known as public assistance or
17 unemployment compensation payments by a governmental agency.

18 (5) Payments to reimburse actual expenses.

19 (6) Payments made by employers or labor unions for
20 programs covering hospitalization, sickness, disability or
21 death, supplemental unemployment benefits, strike benefits,
22 Social Security and retirement.

23 (7) Compensation received by United States servicemen
24 serving in a combat zone.

25 "Income allowance."

26 (1) Subject to paragraph (2), the amount of:

27 (i) Before July 1, 2011, \$10,000 for each eligible
28 student, eligible prekindergarten student and dependent
29 member of a household.

30 (ii) After June 30, 2011, through June 30, 2012,

1 \$12,000 for each eligible student, eligible
2 prekindergarten student and dependent member of a
3 household.

4 (iii) After June 30, 2012, through June 30, 2013,
5 \$15,000 for each eligible student, eligible
6 prekindergarten student and dependent member of a
7 household.

8 (2) Beginning July 1, 2013, the Department of Community
9 and Economic Development shall annually adjust the income
10 allowance amounts under paragraph (1) to reflect any upward
11 changes in the Consumer Price Index for All Urban Consumers
12 for the Pennsylvania, New Jersey, Delaware and Maryland area
13 in the preceding 12 months and shall immediately submit the
14 adjusted amounts to the Legislative Reference Bureau for
15 publication as a notice in the Pennsylvania Bulletin.

16 "Innovative educational program." An advanced academic or
17 similar program that is not part of the regular academic program
18 of a public school but that enhances the curriculum or academic
19 program of a public school, chartered school as defined in
20 section 1376.1(a) or private school approved in accordance with
21 section 1376, or provides prekindergarten programs to public
22 school students, students of a chartered school as defined in
23 section 1376.1(a) or students of a private school approved in
24 accordance with section 1376.

25 "Maximum annual household income."

26 (1) Except as stated in paragraph (2) and subject to
27 paragraph (3), the following:

28 (i) Before July 1, 2011, not more than \$50,000.

29 (ii) After June 30, 2011, through June 30, 2012, not
30 more than \$60,000.

1 (iii) After June 30, 2012, not more than \$75,000.

2 (2) With respect to an eligible student with a
3 disability, as calculated by multiplying:

4 (i) the sum of:

5 (A) the applicable amount under paragraph (1);

6 and

7 (B) the applicable income allowance; by

8 (ii) the applicable support level factor according
9 to the following table:

<u>Support Level</u>	<u>Support Level Factor</u>
<u>1</u>	<u>1.50</u>
<u>2</u>	<u>2.993</u>

13 (3) Beginning July 1, 2012 2013, the Department of
14 Community and Economic Development shall annually adjust the
15 income amounts under paragraphs (1) and (2) to reflect any
16 upward changes in the Consumer Price Index for All Urban
17 Consumers for the Pennsylvania, New Jersey, Delaware and
18 Maryland area in the preceding 12 months and shall
19 immediately submit the adjusted amounts to the Legislative
20 Reference Bureau for publication as a notice in the
21 Pennsylvania Bulletin.

22 "Pass-through entity." A partnership as defined in section
23 301(n.0) of the act of March 4, 1971 (P.L.6, No.2), known as the
24 Tax Reform Code of 1971, a single-member limited liability
25 company treated as a disregarded entity for Federal income tax
26 purposes or a Pennsylvania S corporation as defined in section
27 301(n.1) of the Tax Reform Code of 1971.

28 "Prekindergarten program." A program of instruction for
29 three-year-old or four-year-old students that utilizes a
30 curriculum aligned with the curriculum of the school with which

1 it is affiliated and that provides:

2 (1) a minimum of two hours of instructional and
3 developmental activities per day at least 60 days per school
4 year; or

5 (2) a minimum of two hours of instructional and
6 developmental activities per day at least 20 days over the
7 summer recess.

8 "Prekindergarten scholarship organization." A nonprofit
9 entity that:

10 (1) Either is exempt from Federal taxation under section
11 501(c)(3) of the Internal Revenue Code of 1986 (Public Law
12 99-514, 26 U.S.C. § 1 et seq.) or is operated as a separate
13 segregated fund by a scholarship organization that has been
14 qualified under section 2502-B.

15 (2) Contributes at least 80% of its annual cash receipts
16 to a prekindergarten scholarship program by expending or
17 otherwise irrevocably encumbering those funds for
18 distribution during the then current fiscal year of the
19 organization or during the next succeeding fiscal year of the
20 organization.

21 "Prekindergarten scholarship program." A program to provide
22 tuition to eligible prekindergarten students to attend a
23 prekindergarten program operated by or in conjunction with a
24 school located in this Commonwealth and that includes an
25 application and review process for the purpose of making awards
26 to eligible prekindergarten students and awards scholarships to
27 eligible prekindergarten students without limiting availability
28 to only students of one school.

29 "Public school." A public prekindergarten where compulsory
30 attendance requirements do not apply or a public kindergarten,

1 elementary school or secondary school at which the compulsory
2 attendance requirements of this Commonwealth may be met and that
3 meets the applicable requirements of Title VI of the Civil
4 Rights Act of 1964 (Public Law 88-352, 78 Stat. 241).

5 "Scholarship." An award under a scholarship program.

6 "Scholarship organization." A nonprofit entity that:

7 (1) is exempt from Federal taxation under section 501(c)
8 (3) of the Internal Revenue Code of 1986 (Public Law 99-514,
9 26 U.S.C. § 1 et seq.); and

10 (2) contributes at least 80% of its annual cash receipts
11 to a scholarship program.

12 For purposes of this definition, a nonprofit entity

13 "contributes" its annual cash receipts to a scholarship program
14 when it expends or otherwise irrevocably encumbers those funds
15 for distribution during the then current fiscal year of the
16 nonprofit entity or during the next succeeding fiscal year of
17 the nonprofit entity.

18 "Scholarship program." A program to provide tuition to
19 eligible students to attend a school located in this
20 Commonwealth. A scholarship program must include an application
21 and review process for the purpose of making awards to eligible
22 students. The award of scholarships to eligible students shall
23 be made without limiting availability to only students of one
24 school.

25 "School." A PUBLIC OR NONPUBLIC PREKINDERGARTEN, ←
26 kindergarten, elementary school or secondary school at which the
27 compulsory attendance requirements of the Commonwealth may be
28 met and that meets the applicable requirements of Title VI of
29 the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), ←
30 or a public or nonpublic prekindergarten.

1 "School age." From the earliest admission age to a school's
2 prekindergarten or kindergarten program or, when no
3 prekindergarten or kindergarten program is provided, the
4 school's earliest admission age for beginners, until the end of
5 the school year the student attains 21 years of age or
6 graduation from high school, whichever occurs first.

7 "Special education school." A school or program within a
8 school that is designated specifically and exclusively for
9 students with any of the disabilities listed in 34 CFR § 300.8
10 (relating to child with a disability) and meets one of the
11 following:

12 (1) is licensed under the act of January 28, 1988
13 (P.L.24, No.11), known as the Private Academic Schools Act;

14 (2) is accredited by an accrediting association approved
15 by the State Board of Education;

16 (3) is a school for the blind or deaf receiving
17 Commonwealth appropriations; or

18 (4) is operated by or under the authority of a bona fide
19 religious institution or by the Commonwealth or any political
20 subdivision thereof.

21 "Support level." The level of support needed by an eligible
22 student with a disability, as stated in the following matrix:

23 (1) Support level 1. The student is not enrolled in a
24 special education school.

25 (2) Support level 2. The student is enrolled in a
26 special education school.

27 "Tax credit." The educational improvement tax credit
28 established under this article.

29 Section 2502-B. Qualification and application.

30 (a) Establishment.--In accordance with section 14 of Article

1 III of the Constitution of Pennsylvania, an educational
2 improvement tax credit program is established to enhance the
3 educational opportunities available to all students in this
4 Commonwealth.

5 (b) Information.--In order to qualify under this article, a
6 scholarship organization, a prekindergarten scholarship
7 organization or an educational improvement organization must
8 submit information to the department that enables the department
9 to confirm that the organization is exempt from taxation under
10 section 501(c)(3) of the Internal Revenue Code of 1986 (Public
11 Law 99-514, 26 U.S.C. § 1 et seq.).

12 (c) Scholarship organizations and prekindergarten
13 scholarship organizations.--A scholarship organization or
14 prekindergarten scholarship organization must certify to the
15 department that the organization is eligible to participate in
16 the program established under this article and must agree to
17 annually report the following information to the department by
18 September 1 of each year:

19 (1) (i) The number of scholarships awarded during the
20 immediately preceding school year to eligible
21 prekindergarten students.

22 (ii) The total and average amounts of scholarships
23 awarded during the immediately preceding school year to
24 eligible prekindergarten students.

25 (iii) The number of scholarships awarded during the
26 immediately preceding school year to eligible students in
27 grades kindergarten through eight.

28 (iv) The total and average amounts of scholarships
29 awarded during the immediately preceding school year to
30 eligible students in grades kindergarten through eight.

1 (v) The number of scholarships awarded during the
2 immediately preceding school year to eligible students in
3 grades 9 through 12.

4 (vi) The total and average amounts of scholarships
5 awarded during the immediately preceding school year to
6 eligible students in grades 9 through 12.

7 (vii) Where the scholarship organization or
8 prekindergarten scholarship organization collects
9 information on a county-by-county basis, the total number
10 and the total dollar amount of scholarships awarded
11 during the immediately preceding school year to residents
12 of each county in which the scholarship organization or
13 prekindergarten scholarship organization awarded
14 scholarships.

15 (2) The information required under paragraph (1) shall
16 be submitted on a form provided by the department. No later
17 than May 1 of each year, the department shall annually
18 distribute such sample forms, together with the forms on
19 which the reports are required to be made, to each listed
20 scholarship organization and prekindergarten scholarship
21 organization.

22 (3) The department may not require any other information
23 to be provided by scholarship organizations or
24 prekindergarten scholarship organizations, except as
25 expressly authorized in this article.

26 (d) Educational improvement organization.--

27 (1) An application submitted by an educational
28 improvement organization must describe its proposed
29 innovative educational program or programs in a form
30 prescribed by the department. In prescribing the form, the

1 department shall consult with the Department of Education as
2 necessary. The department shall review and approve or
3 disapprove the application. In order to be eligible to
4 participate in the program established under this article, an
5 educational improvement organization must agree to annually
6 report the following information to the department by
7 September 1 of each year:

8 (i) The name of the innovative educational program
9 or programs and the total amount of the grant or grants
10 made to those programs during the immediately preceding
11 school year.

12 (ii) A description of how each grant was utilized
13 during the immediately preceding school year and a
14 description of any demonstrated or expected innovative
15 educational improvements.

16 (iii) The names of the public schools and school
17 districts where innovative educational programs that
18 received grants during the immediately preceding school
19 year were implemented.

20 (iv) Where the educational improvement organization
21 collects information on a county-by-county basis, the
22 total number and the total dollar amount of grants made
23 during the immediately preceding school year for programs
24 at public schools in each county in which the educational
25 improvement organization made grants.

26 (2) The information required under paragraph (1) shall
27 be submitted on a form provided by the department. No later
28 than May 1 of each year, the department shall annually
29 distribute such sample forms, together with the forms on
30 which the reports are required to be made, to each listed

1 educational improvement organization.

2 (3) The department may not require any other information
3 to be provided by educational improvement organizations,
4 except as expressly authorized in this article.

5 (e) Notification.--The department shall notify the
6 scholarship organization, prekindergarten scholarship
7 organization or educational improvement organization that the
8 organization meets the requirements of this article for that
9 fiscal year no later than 60 days after the organization has
10 submitted the information required under this section.

11 (f) Publication.--The department shall annually publish a
12 list of each scholarship organization, prekindergarten
13 scholarship organization or educational improvement organization
14 qualified under this section in the Pennsylvania Bulletin. The
15 list shall also be posted and updated as necessary on the
16 publicly accessible Internet website of the department.

17 Section 2503-B. Application.

18 (a) Scholarship organization or prekindergarten scholarship
19 organization.--A business firm shall apply to the department for
20 a tax credit. A business firm shall receive a tax credit if the
21 scholarship organization or prekindergarten scholarship
22 organization that receives the contribution appears on the list
23 established under section 2502-B(f).

24 (b) Educational improvement organization.--A business firm
25 must apply to the department for a tax credit. A business firm
26 shall receive a tax credit if the department has approved the
27 program provided by the educational improvement organization
28 that receives the contribution.

29 (c) Availability of tax credits.--Tax credits shall be made
30 available by the department on a first-come-first-served basis

1 within the limitations established under section 2505-B(a).

2 (d) Contributions.--A contribution by a business firm to a
3 scholarship organization, prekindergarten scholarship
4 organization or educational improvement organization shall be
5 made no later than 60 days following the approval of an
6 application under subsection (a) or (b).

7 Section 2504-B. Tax credit.

8 (a) Scholarship or educational improvement organizations.--
9 In accordance with section 2505-B(a), the Department of Revenue
10 shall grant a tax credit against any tax due under Article III,
11 IV, VI, VII, VIII, IX or XV of the act of March 4, 1971 (P.L.6,
12 No.2), known as the Tax Reform Code of 1971, to a business firm
13 providing proof of a contribution to a scholarship organization
14 or educational improvement organization in the taxable year in
15 which the contribution is made which shall not exceed 75% of the
16 total amount contributed during the taxable year by the business
17 firm. ~~The~~ FOR THE FISCAL YEAR 2011-2012, THE TAX CREDIT SHALL ←
18 NOT EXCEED \$400,000 ANNUALLY PER BUSINESS FIRM FOR CONTRIBUTIONS
19 MADE TO SCHOLARSHIP ORGANIZATIONS AND EDUCATIONAL IMPROVEMENT
20 ORGANIZATIONS. FOR THE FISCAL YEAR 2012-2013, THE tax credit
21 shall not exceed \$750,000 annually per business firm for
22 contributions made to scholarship organizations or educational
23 improvement organizations.

24 (b) Additional amount.--The Department of Revenue shall
25 grant a tax credit of up to 90% of the total amount contributed
26 during the taxable year if the business firm provides a written
27 commitment to provide the scholarship organization or
28 educational improvement organization with the same amount of
29 contribution for two consecutive tax years. The business firm
30 must provide the written commitment under this subsection to the

1 department at the time of application.

2 (c) Prekindergarten scholarship organizations.--In
3 accordance with section 2505-B(a), the Department of Revenue
4 shall grant a tax credit against any tax due under Article III,
5 IV, VI, VII, VIII, IX or XV of the Tax Reform Code of 1971 to a
6 business firm providing proof of a contribution to a
7 prekindergarten scholarship organization in the taxable year in
8 which the contribution is made which shall be equal to 100% of
9 the first \$10,000 contributed during the taxable year by the
10 business firm, and which shall not exceed 90% of the remaining
11 amount contributed during the taxable year by the business firm.

12 ~~The~~ FOR THE FISCAL YEAR 2011-2012, THE TAX CREDIT SHALL NOT
13 EXCEED \$200,000 ANNUALLY PER BUSINESS FIRM FOR CONTRIBUTIONS
14 MADE TO PREKINDERGARTEN SCHOLARSHIP ORGANIZATIONS. FOR THE
15 FISCAL YEAR 2012-2013, THE tax credit shall not exceed \$250,000
16 annually per business firm for contributions made to
17 prekindergarten scholarship organizations.



18 (d) Combination of tax credits.--A business firm may receive
19 tax credits from the Department of Revenue in any tax year for
20 any combination of contributions under subsection (a), (b) or
21 (c). In no case may a business firm receive tax credits in any
22 tax year in excess of \$750,000 for contributions under
23 subsections (a) and (b). In no case shall a business firm
24 receive tax credits in any tax year in excess of \$250,000 for
25 contributions under subsection (c).

26 (e) Pass-through entity.--

27 (1) If a pass-through entity does not intend to use all
28 approved tax credits under this section, it may elect in
29 writing to transfer all or a portion of the tax credit to
30 shareholders, members or partners in proportion to the share

1 of the entity's distributive income to which the shareholder,
2 member or partner is entitled for use in the taxable year in
3 which the contribution is made or in the taxable year
4 immediately following the year in which the contribution is
5 made. The election shall designate the year in which the
6 transferred tax credits are to be used and shall be made
7 according to procedures established by the Department of
8 Revenue.

9 (2) A pass-through entity and a shareholder, member or
10 partner of a pass-through entity shall not claim the tax
11 credit under this section for the same contribution.

12 (3) The shareholder, member or partner may not carry
13 forward, carry back, obtain a refund of or sell or assign the
14 tax credit.

15 (4) The shareholder, member or partner may claim the
16 credit on a joint return, but the tax credit may not exceed
17 the separate income of that shareholder, member or partner.

18 (f) Restriction on applicability of credits.--No tax credits
19 shall be applied against any tax withheld by an employer from an
20 employee under Article III of the Tax Reform Code of 1971.

21 (g) Time of application for credits.--

22 (1) Except as provided in ~~paragraphs (2) and (3)~~ ←
23 PARAGRAPH (2), the department may accept applications for tax ←
24 credits available during a fiscal year no earlier than July 1
25 of each fiscal year.

26 (2) The application of any business firm for tax credits
27 available during a fiscal year as part of the second year of
28 a two-year commitment or as a renewal of a two-year
29 commitment that was fulfilled in the previous fiscal year may
30 be accepted no earlier than ~~June~~ MAY 15 preceding the fiscal ←

1 year.

2 ~~(3) The application of any business firm for tax credits~~ ←
3 ~~available during a fiscal year for an educational improvement~~
4 ~~organization that is also a school district foundation,~~
5 ~~public school foundation, charter school foundation or cyber~~
6 ~~charter school foundation may be accepted no earlier than May~~
7 ~~15 preceding the fiscal year.~~

8 Section 2505-B. Limitations.

9 (a) Amount.--

10 (1) For the fiscal year 2011-2012, the total aggregate
11 amount of all tax credits approved shall not exceed
12 \$100,000,000. No less than 75% of the total aggregate amount
13 of all tax credits approved shall be used to provide tax
14 credits for contributions from business firms to scholarship
15 organizations, INCLUDING PREKINDERGARTEN SCHOLARSHIP ←
16 ORGANIZATIONS. No less than 25% of the total aggregate amount
17 of all tax credits approved shall be used to provide tax
18 credits for contributions from business firms to educational
19 improvement organizations.

20 (2) In the fiscal year 2012-2013, the total aggregate
21 amount of all tax credits approved shall not exceed
22 \$200,000,000.

23 (3) For the fiscal years 2011-2012 and 2012-2013, the
24 total aggregate amount of all tax credits approved for
25 contributions from business firms to prekindergarten
26 scholarship programs shall not exceed \$8,000,000 in a fiscal
27 year.

28 (b) Activities.--No tax credit shall be approved for
29 activities that are a part of a business firm's normal course of
30 business.

1 (c) Tax liability.--

2 (1) Except as provided in paragraph (2), a tax credit
3 granted for any one taxable year may not exceed the tax
4 liability of a business firm.

5 (2) In the case of a credit granted to a pass-through
6 entity which elects to transfer the credit according to
7 section 2504-B(e), a tax credit granted for any one taxable
8 year and transferred to a shareholder, member or partner may
9 not exceed the tax liability of the shareholder, member or
10 partner.

11 (d) Use.--A tax credit not used by the applicant in the
12 taxable year the contribution was made or in the year designated
13 by the shareholder, member or partner to whom the credit was
14 transferred under section 2504-B(e) may not be carried forward
15 or carried back and is not refundable or transferable.

16 (e) Nontaxable income.--A scholarship received by an
17 eligible student or eligible prekindergarten student shall not
18 be considered to be taxable income for the purposes of Article
19 III of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
20 Reform Code of 1971.

21 Section 2506-B. Lists.

22 The Department of Revenue shall provide to the General
23 Assembly, by June 30 of each year, a list of all scholarship
24 organizations, prekindergarten scholarship organizations and
25 educational improvement organizations that receive contributions
26 from business firms granted a tax credit.

27 Section 2507-B. Guidelines.

28 The department, in consultation with the Department of
29 Education, shall develop guidelines to determine the eligibility
30 of an innovative educational program.

1 Section 2. Repeals are as follows:

2 (1) The General Assembly declares that the repeal under
3 paragraph (2) is necessary to effectuate the addition of
4 Article XXV-B of the act.

5 (2) Article XVII-F and section 2902-E(b) of the act of
6 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
7 1971, are repealed.

8 Section 3. The provisions of Article XXV-B of the act are
9 severable. If any provision of that article or its application
10 to any person or circumstance is held invalid, the invalidity
11 shall not affect other provisions or applications of that
12 article which can be given effect without the invalid provision
13 or application.

14 Section 4. This act shall take effect in 60 days.