

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 57A Corporate Tax Credits

SPONSOR(S): Baxley

TIED BILLS: IDEN./SIM. BILLS:

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax		Diez-Arguelles	Diez-Arguelles
2)			
3)			
4)			
5)			

SUMMARY ANALYSIS

Current law provides a corporate income tax credit for contributions to scholarship funding organizations. The bill increases the amount of credits that can be awarded each year from \$50 million to \$88 million.

Under current law, a corporation that makes a contribution to a scholarship funding organization may only use the credit in the year the contribution is made. The bill provides that a credit that cannot be used in the year the contribution is made because the corporation has insufficient tax liability can be carried forward for three years.

The estimated fiscal impact of increasing the credit to \$88 million is (\$46.9) in FY 03-04 and (\$36.1) in FY 04-05 and thereafter.

The bill is effective July 1, 2003.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0057A.ft.doc

DATE: May 12, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

CURRENT SITUATION

Section 220.187, F.S., sets forth the mechanism for allowing taxpayers to receive a credit against their corporate income tax liability for contributions to nonprofit scholarship-funding organizations (SFOs). The SFOs must use the contributions to provide scholarships for qualified students to attend an eligible K-12 nonpublic school or to provide transportation expenses for a student to attend a public school outside the district where the student lives. The scholarships include tuition, textbook, and transportation expenses. The amount of the scholarship may not exceed \$3,500 for a student enrolled in an eligible nonpublic school or \$500 for a student enrolled in a public school located outside the district where the student lives.

The total amount of credit that may be awarded each state fiscal year year is limited to \$50 million. Five percent, or \$2.5 million, of this amount is reserved for small business taxpayers, as defined in Section 288.703 (1), F.S. The amount of credit a taxpayer may claim is equal to 100% of the contribution. However, the credit may not exceed 75% of the taxpayer's corporate tax liability for the taxable year in which the contribution is made. A taxpayer that is unable to use the full amount of the credit because it has insufficient tax liability in the year the contribution was made is not allowed to take the credit in a future year.

PROPOSED CHANGES

The bill provides that a taxpayer that cannot fully utilize the credit because of insufficient tax liability may carry the credit forward for three years. A taxpayer that will carry forward unused credits must apply to the Department of Revenue for an allocation of tax credits in the year that the taxpayer intends to use the credit.

This bill increases the amount of credits that may be awarded and carried forward each state fiscal year by \$33 million, for a total of \$88 million annually.

C. SECTION DIRECTORY:

Section 1. Amends Section 220.187, F.S. as described in the "Effect of Proposed Changes," above.

Section 2. Provides that if any law amended by this act was also amended by a law enacted during the 2003 Regular Session, such laws shall be construed as if they had been enacted during the same session of the Legislature, and full effect shall be given to each, if possible.

Section 3. Provides an effective date of July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:	<u>FY 03-04</u>	<u>FY 04-05</u>
General Revenue	(\$46.9)	(\$36.1)

2. Expenditures: See "Fiscal Comments," below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None

2. Expenditures: None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

D. FISCAL COMMENTS:

This bill will allow an estimated 12,317 additional students to receive a scholarship in FY 03-04. Assuming that all the students that receive a scholarship would otherwise have enrolled in a public school, savings to the state from not having to fund these students range from \$16 – \$25 million, depending on the per student cost to the state.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not affect counties and municipalities.

2. Other: None

B. RULE-MAKING AUTHORITY: None

C. DRAFTING ISSUES OR OTHER COMMENTS: None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES