



## **FAMILY ISSUE FACT SHEET**

No. 2008-09 (February 2008)

### **HB 2098- Corporate Tuition Tax Credit Built-In Repeal**

#### **EXECUTIVE SUMMARY**

Arizona offers two tax credits for contributions to school tuition organizations. The individual tax credit allows a dollar-for-dollar tax credit up to \$500 for individuals or \$1000 for couples. The corporate tax credit, passed into law in 2005 and amended in 2006, enables corporations to receive tax credits on a first come-first serve basis for contributions made to school tuition organizations (STOs) until 2011. HB 2098 would remove the repeal provision for the corporate tax credit program, allowing students to continue to benefit from these scholarships past 2011.

#### **BACKGROUND**

The Arizona tax code grants individual taxpayers a tax credit for contributions to organizations that provide educational scholarships. Similarly, corporations receive a tax credit for contributions to organizations providing scholarships.

To qualify for a scholarship through the corporate tax credit program, a family's income must be no more than 185 percent of the income limit required to participate in the federal school lunch program. The child must currently attend public schools or be preparing to start kindergarten in order to qualify for an educational scholarship. Once the scholarship has been received, the child must attend the new school for a full year, or the family must refund part of the scholarship.

Corporations may contribute to the school tuition organization of their choice for any amount, so long as it does not exceed the cap amount set in statute. This cap started at \$10 million and increases by 20 percent each year. In 2008, the cap is \$12 million. For the first year of the program (2006), the Arizona Department of Revenue reports that over \$7 million was donated by corporations, with amounts ranging from \$100 to \$1.5 million. Seventeen school tuition organizations from all across Arizona received corporate donations.<sup>1</sup> The 2007 numbers are not yet available.

## TALKING POINTS

- **Corporate tuition tax credits provide scholarships for low-income families and broaden the number of families able to choose the best education for their children.**
- **Removing the built-in repeal ensures children continue receiving scholarships as they continue their education.** These scholarships are given to lower-income students who are either starting kindergarten or switching from a private school. Allowing the program to continue past 2011 ensures that these children will continue receiving the education of their parent's choosing beyond the next three years.

## CONCLUSION

The corporate tax credit program helps children receive the education their parents deem best for them. Removing the built-in repeal ensures that children will continue to receive these scholarships, and their parents will know that they will be able to continue sending their children to the school of their choosing beyond the next four years.

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<sup>1</sup> Arizona Department of Revenue. "Corporate Income Tax Credit for Contributions to School Tuition Organizations: Reporting for 2006". August 2007.

<http://www.azdor.gov/ResearchStats/2006%20corporate%20school-credit%20report.pdf>