

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

A Bill

HOUSE BILL 1607

5 By: Representatives Penix, Hutchinson
6
7

For An Act To Be Entitled

9 AN ACT TO PROMOTE CONTRIBUTIONS TO EDUCATION BY
10 ALLOWING A TAX CREDIT FOR THE CONTRIBUTION; AND
11 FOR OTHER PURPOSES.
12

Subtitle

14 TO PROMOTE CONTRIBUTIONS TO EDUCATION BY
15 ALLOWING A TAX CREDIT FOR THE
16 CONTRIBUTION.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 5 is amended
22 to add an additional section to read as follows:

23 26-51-511. Contributions to an organization that provides scholarships
24 to students.

25 (a) As used in this section:

26 (1) "Contribution" means moneys from a taxpayer to an
27 organization.

28 (2) "Organization" means an entity that:

29 (A) Is exempt from federal income tax under the Internal
30 Revenue Code, 26 U.S.C. § 501(c)(3), as in effect on January 1, 2003;

31 (B) Provides scholarships to students for:

32 (i) Tuition or textbook expenses for a school; or

33 (ii) Transportation to a school;

34 (C) Spends one hundred percent (100%) of the contributions
35 made under this section to provide scholarships to students in the fiscal
36 year that the contribution was received;



1 (D) Uses any accrued interest from the contributions for
 2 scholarships;

3 (E) Provides to the Auditor of State an annual financial
 4 and compliance audit of its accounts and records prepared by an independent
 5 certified public accountant in accordance with the rules adopted by the
 6 Auditor of State; and

7 (F)(i) Provides payment of the scholarship to an Arkansas
 8 nonpublic school by an individual warrant or check made payable to the
 9 student’s parent and the school jointly; or

10 (ii) Provides payment of the scholarship to an
 11 Arkansas public school that is located outside the school district in which
 12 the student resides, or an independent contractor that provides
 13 transportation to the public school by an individual warrant or check made
 14 payable to the student’s parent;

15 (3) “Scholarship” means:

16 (A) An award for tuition, textbooks, or transportation, in
 17 an amount not to exceed three thousand five hundred dollars (\$3,500) to a
 18 student enrolled in a nonpublic school; or

19 (B) An award for textbooks or transportation in an amount
 20 not to exceed five hundred dollars (\$500) to a student enrolled in an
 21 Arkansas public school that is located outside the school district in which
 22 the student lives;

23 (4) “School” means:

24 (A) An Arkansas public school that is located outside the
 25 school district in which the student resides that offers an education to
 26 students in grades kindergarten through twelve (K-12); or

27 (B) An Arkansas nonpublic school that:

28 (i) Offers an education to students in grades
 29 kindergarten through twelve (K-12);

30 (ii) Demonstrates fiscal soundness by being in
 31 operation for one (1) school year or by providing to the Department of
 32 Education proof of insurance and a statement by a certified public accountant
 33 that the nonpublic school has sufficient capital, expected revenue, or credit
 34 to operate the school for the upcoming school year and to serve the
 35 anticipated number of students;

36 (iii) Complies with the antidiscrimination

1 provisions of 42 U.S.C. § 2000d, as in effect on January 1, 2003;

2 (iv) Complies with state and local health and safety
 3 laws and codes; and

4 (v) Complies with all state laws related to the
 5 general regulation of nonpublic schools;

6 (5) "Student" means a child who qualifies for free or reduced
 7 price school lunches under the National School Lunch Act as in effect on
 8 January 1, 2003, and:

9 (A) Was counted as a full time equivalent student during
 10 the previous state fiscal year for purposes of state per student funding;

11 (B) Received a scholarship from an organization during the
 12 previous school year; or

13 (C) Is eligible to enter kindergarten or first grade.

14 (b) A taxpayer may apply for a certificate of tax credit approval
 15 against the income tax imposed by the Income Tax Act of 1929, § 26-51-101 et
 16 seq., in an amount determined under subsection (c) of this section for a
 17 contribution to an organization that provides scholarships to students.

18 (c)(1)(A) A taxpayer may apply for a certificate of tax credit
 19 approval from the Director of the Department of Finance and Administration to
 20 receive a credit in an amount not to exceed one hundred percent (100%) of a
 21 contribution made to an organization that provides scholarships to students
 22 under this section.

23 (B) The contribution may not designate a specific child as
 24 the beneficiary of the contribution.

25 (C) The contribution may not exceed five million dollars
 26 (\$5,000,000) to any single organization.

27 (2) The credit may not exceed seventy-five percent (75%) of the
 28 tax due under the Income Tax Act of 1929, § 26-51-101 et seq., for the tax
 29 year that the credit is granted.

30 (3) If the credit that is granted under this section is not
 31 fully used in the tax year that the credit was granted, the portion of the
 32 credit that was not used cannot be carried forward to a future tax year.

33 (d)(1) The maximum annual amount of the credit that may be awarded by
 34 the Director of the Department of Finance and Administration under this
 35 section is ten million dollars (\$10,000,000) per fiscal year, not to exceed
 36 ten million dollars (\$10,000,000) in any calendar year.

1 (2) The credits shall be awarded on a first come, first served
2 basis.

3 (e) The Department of Finance and Administration shall promulgate the
4 rules and regulations necessary to administer this section, including the
5 application form for the credit and the procedure governing the award of the
6 credit.

7 (f) The Director of the Department of Finance and Administration shall
8 present an annual report to the House and Senate Interim Committees on
9 Revenue and Taxation within one (1) month after the close of the fiscal year
10 that includes:

11 (1) The total amount of tax credits applied for;

12 (2) The total number of tax credits applied for;

13 (3) The total amount of tax credits granted;

14 (4) The total number of tax credits granted; and

15 (5) An analysis that includes the average amount of each credit
16 applied for and granted.

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18 SECTION 2. This act shall apply to tax years beginning on or after
19 January 1, 2004.