

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1516**

**Amendment Number: S1**

**Bill Subtitle: TO ALLOW A PUBLIC SCHOOL DISTRICT TO PARTNER WITH A BUSINESS TO ALLOW FOR THE PROVISION OF A SUBJECT-MATTER EXPERT; AND TO CREATE AN INCOME TAX CREDIT FOR BUSINESSES THAT LOAN SUBJECT-MATTER EXPERTS TO PUBLIC SCHOOL DISTRICTS.**

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### Basic Change :

**Sponsors: Reps. Lundstrum, Bentley, J. Richardson, Long, and Vaught; Sen. English**

**Senate Amendment No. 1** --- HB1516-S1 places an annual cap of \$250,000 on the amount of income tax credits that may be issued. The amendment also provides that the instruction provided by the subject-matter expert would be provided in public high schools.

**House Amendment No. 1** --- HB1516-H1 (engrossed H3/15/23) limits the amount of tax credits that may be issued to \$2,000,000 per calendar year. HB1516-H1 provides that the Tax Credits and Special Refunds Section of the Department of Finance and Administration (DFA) shall award the tax credits on a first-come, first-served basis. HB1516-H1 also provides that DFA may file a written request with Legislative Council or the Joint Budget Committee for an increase in the total amount of state income tax credits to be awarded.

**Original Bill** --- HB1516 creates a new income tax credit for a business that contracts with an individual school district to provide a "subject-matter expert" (SME) to supplement the public-school curricula with targeted training or instruction. A "subject-matter expert" is defined as an individual who has demonstrated expertise and professional experience in the designated industry in which the individual intends to provide targeted classroom supplemental training or instruction.

HB1516 requires each business in the program to enter into a memorandum of understanding with the school district that will identify:

- How the school district can verify the credentials of a subject-matter expert including resumes, relevant industry experience, and industry certifications;
- The time in which the subject-matter expert will provide the supplemental training and instruction; and
- The method of tracking the amount of time that the subject-matter expert spends providing the supplemental training and instruction.

A public school district entering into a memorandum of understanding under HB1516 will obtain the results of:

- A child maltreatment registry check from the Department of Human Services for each subject-matter expert; and
- If the subject-matter expert is left unsupervised with public school students, a statewide and nationwide criminal background check.

HB1516 provides an income tax credit to the employer of the subject-matter expert that is based on the number of hours that the subject-matter expert provides the supplemental training and instruction to the public-school students multiplied by the subject matter expert's hourly "value" or \$50 per hour, whichever is less. The credit is non-refundable.

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This tax credit is limited to:

- No more than \$10,000 per subject-matter expert; and
- No more than \$20,000 per employer.

HB1516 is effective for tax years beginning on or after January 1, 2024.

### **Revenue Impact :**

**FY2025** – Up to \$250,000 General Revenue Reduction

### **Taxpayer Impact :**

A participating business that enters into a memorandum of understanding to loan a SME to a public school district to provide targeted classroom supplemental training or instruction will be eligible to receive a nonrefundable tax credit not to exceed \$10,000 per SME and \$20,000 per business in a tax year. Records must be maintained for six years to support the tax credit claim.

### **Resources Required :**

Computer programs, tax forms, and instructions would need to be created. Arkansas Integrated Revenue System (AIRS) programming costs estimates to program a new income tax credit is estimated at \$16,000.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Income Tax Rules will be updated and instructions published. Department employees and the tax community will need to be educated.

### **Other Comments :**

HB1516 would benefit from procedures for how a taxpayer would be issued the tax credit. The bill does not state which department is responsible for developing forms and instructions or who the taxpayer should communicate with to get the credit established. Each school is responsible for recording and verifying the number of hours a subject-matter expert spends in the classroom.

### **Legal Analysis :**

None.

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