

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1396**

**Bill Subtitle: TO EXEMPT FROM THE INDIVIDUAL INCOME TAX EDUCATION SCHOLARSHIPS, AWARDS, AND GRANTS FROM NONPROFIT VOLUNTEER SERVICE ORGANIZATIONS.**

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### **Basic Change :**

**Sponsor: Representative Leding**

HB1396 provides for an individual income tax exemption to a resident for an education scholarship, award, and grant from a nonprofit volunteer service organization to attend an institution of higher learning, pay for educational or vocational training, or to repay student loans. This bill is effective for tax years beginning on or after January 1, 2017.

### **Revenue Impact :**

FY2018 - \$50,000 reduction to General Revenue

### **Taxpayer Impact :**

Taxpayers receiving education awards will be able to exempt the awards from a nonprofit service organization.

### **Resources Required :**

Tax forms and instructions will need to be revised, along with programming of the processing system.

### **Time Required :**

Adequate time is provided.

### **Procedural Changes :**

None.

### **Other Comments :**

None.

### **Legal Analysis :**

This bill is ambiguous in proposed § 26-51-315(1) which allows for an exemption for funds used to "pay for the taxpayer's attendance at an institution of higher education." It is not clear from the bill whether this solely covers tuition, or whether it includes room, board, books, and other fees imposed on students. Also, Arkansas law currently exempts from income tax scholarships and grants under § 26-51-404(a)(4). It is not clear that the new exemption for scholarships and grants would be necessary. Also, the bill is unclear as to what type of organization would qualify as a "nonprofit service organization" and whether only an Arkansas resident would qualify for the exemption.

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