

# Department of Finance and Administration

## Legislative Impact Statement

### **Bill: SB834**

**Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR CERTAIN AWARDS, GRANTS, AND SCHOLARSHIPS AWARDED BY A NONPROFIT VOLUNTEER SERVICE ORGANIZATION.**

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**Basic Change :** Sponsor: Sen. Elliott

SB834 will exempt from income tax an award, grant, or scholarship received by a resident and awarded by a nonprofit volunteer service organization to attend an institution of higher education, pay for educational training, or repay student loans. A nonprofit volunteer service organization includes but is not limited to the Corporation for National and Community Services and any program under its authority, the Arkansas Service Commission, and any entity that is similar to the Arkansas Service Commission and is located in another state.

In order to exempt the income for attending an institution of higher education, the institution must be accredited by a nationally recognized accrediting agency and has been in existence for at least 2 years. To exempt the income to pay for educational training, the institution must provide at least a 6 month program of training, is licensed by the Arkansas State Board of Private Career Education or a similar agency located in another state, and has been in existence for at least 2 years. This act is effective for tax years beginning on or after January 1, 2015.

### **Revenue Impact :**

\$40,000 or less per year.

### **Taxpayer Impact :**

An education award from a nonprofit volunteer service organization to attend an institution of higher learning, pay for educational training, or repay student loans will be exempt from income tax.

### **Resources Required :**

Update tax forms and instructions.

### **Time Required :**

Adequate time is provided.

### **Procedural Changes :**

Tax forms and instruction booklets will need to be updated. Employees will need to be educated as well as the tax community.

### **Other Comments :**

Consider removing words "scholarships" and "grants" from title, subtitle, and body of bill. AR Code 26-51-404 does not tax scholarships or grants.

### **Legal Analysis :**

SB834 amends Arkansas Code Title 26, Chapter 51, Subchapter 3 by adding § 26-51-314 which creates an income tax exemption for certain awards, grants and scholarships awarded by a nonprofit volunteer service organization. § 26-51-314 defines a "nonprofit volunteer service organization" and specifically names The Corporation for National and Community Services and The Arkansas Service Commission as recognized nonprofit volunteer service organizations in the state of Arkansas. The Director of the Department of Finance and Administration has discretionary authority to promulgate rules necessary to implement this section. This act will be effective for tax years beginning on or after January 1, 2015.