

Department of Finance and Administration

Legislative Impact Statement

Bill: SB310

Amendment Number: S1

Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR CERTAIN DONATIONS TO ENTITIES AND PROGRAMS THAT PROVIDE CAREER EDUCATION.

Basic Change :

Sponsor: Senator J. English

SB310, as amended by S-1, limits total credits under the program to \$1,000,000 per year.

SB310 creates an income tax credit for taxpayers who donate materials, equipment, or services rendered by instructors to a public training provider, secondary or postsecondary vocational-technical school, apprenticeship training program, or community college to assist in the development of career education and training programs designed to meet industry needs. The income tax credit allowed is for an amount equal to 50% of the value of the donation of the materials or equipment or the services rendered by instructors, but it cannot exceed 20% of the taxpayer's tax liability for the tax year in which the credit is claimed. This bill is effective for tax years beginning on or after January 1, 2017.

Revenue Impact :

FY2017 \$500,000 Reduction to General Revenue

FY2018 and after \$1M Reduction to General Revenue

Taxpayer Impact :

Taxpayers will be allowed an income tax credit as an incentive to donate materials, equipment or services rendered by instructors to a public training provider, secondary or postsecondary vocational-technical school, apprenticeship training program or community college, to assist in the development of career education and training programs designed to meet industry needs in this state. The credit is allowed for an amount equal to 50% of the value of the donation of the materials; however, the credit allowed shall not exceed 20% of the taxpayer's tax liability for the tax year in which the income tax credit is claimed.

Resources Required :

Under the bill, the Department of Finance and Administration (DFA) shall coordinate with the Career Education and Workforce Development Board to establish rules for implementation. It is anticipated that DFA would need to add additional personnel to comply with the administrative requirements under this bill as follows:

2 or 3 auditors to review applications for the tax credit.

2 DFA Service Representatives to handle additional workload for processing returns claiming credits.

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

Time Required :

Additional time for implementation may be required. With the effective date of this bill applying to 2017 and following tax years, it will make it difficult to determine the credits prior to DFA establishing rules to implement the program. It could be advantageous to the overall program if the effective date could be replaced for tax years beginning on or after January 1, 2018 to allow additional time to set up the

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program and promulgate rules.

Procedural Changes :

Tax forms and instructions will need to be revised. Department employees and public will need to be educated.

Other Comments :

Amendment creates a \$1 million annual limit to total credits, but does not state that whether the credits will be allowed on tax returns on a first come, first served basis. Creating a maximum credit would be difficult to administer for 2017 because there is no way to know whether that limit may already have been met before the bill is enacted.

Legal Analysis :

The amendment maintains the administrative difficulty of capping the amount of credit that can be claimed under this section per year without carry-forward provisions that will result in DFA issuing assessments to taxpayers who will have their tax credit claim denied because the \$1M cap has been met before they file.

The bill creates an income tax credit for donations of materials, equipment or services for career education and training programs designed to meet industry needs. The bill lists the following as providing career education: a public training provider, secondary or postsecondary vocational-technical school, apprenticeship training program under § 6-52-201, et seq, or a community college. The income tax credit is allowed for an amount equal to fifty percent (50%) of the valuation of the donation given to the approved career education providers. The amount of the tax credit allowed shall not exceed twenty percent (20%) of the taxpayer's tax liability for the tax year in which the credit is claimed. The bill provides that DFA, in consultation with the Career Education and Workforce Development Board, shall promulgate rules to implement this section, including concerning the donations that qualify for the credit.

Other areas of concern with the bill are as follows:

1. Definitions are needed as to "instructors" and "services".
2. The bill does not specify whether or not unused credits may be carried forward.
3. There is no limit on the maximum hourly rate a person can value their services for rendering instruction. It is uncertain whether or not services rendered by instructors have a specific value assigned to them by rules as described in § 26-51-515(c).
4. There is no provision limiting the deduction as a charitable donation in addition to claiming a credit for any donation. The amount of the donation that qualifies as a tax credit should not also be permitted to be claimed as a charitable deduction from income.