

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 86th General Assembly
3 Regular Session, 2007

A Bill

HOUSE BILL 2446

4
5 By: Representative Harris
6
7

For An Act To Be Entitled

9 AN ACT TO CREATE AN INCOME TAX CREDIT TO PERSONS
10 WHO PROVIDE EDUCATION SCHOLARSHIPS FOR STUDENTS
11 TO ATTEND PUBLIC AND NON-PUBLIC SCHOOLS; AND FOR
12 OTHER PURPOSES.

Subtitle

14 THE GREAT SCHOOLS TAX CREDIT PROGRAM
15 ACT.
16
17
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code Title 26, Chapter 51, is amended to add an
22 additional subchapter to read as follows:

23 26-51-2201. Title.

24 This subchapter shall be known and may be cited as "The Great Schools
25 Tax Credit Program Act."

26
27 26-51-2202. Definitions.

28 As used in this subchapter:

29 (1) "Educational scholarships" means a grant to a student to
30 cover all or part of the tuition and fees at a qualified school, including
31 transportation to a public school outside of a student's resident school
32 district.

33 (2) "Eligible student" means a student who:

34 (A) Is a member of a household in which the household's
35 gross income during the tax year before he or she applies for an educational
36 scholarship did not exceed an amount equal to two and five-tenths (2.5) times



1 the income standard used to qualify for a free or reduced price lunch under
 2 the national Free or Reduced Price Lunch Program established under 42 USC §
 3 1751 as it existed on January 1, 2007;

4 (B) Was eligible to attend a public school in the semester
 5 preceding application for an educational scholarship or is starting school in
 6 this state for the first time; and

7 (C) Resides in this state while receiving an educational
 8 scholarship;

9 (3) “Low-income eligible student” means an eligible student who
 10 qualifies for free or reduced price lunch under the national Free or Reduced
 11 Price Lunch Program established under 42 USC § 1751 as it existed on January
 12 1, 2007;

13 (4) “Parent” includes a guardian, custodian or other person with
 14 authority to act on behalf of a child.

15 (5) “Qualified school” means a public elementary or secondary
 16 school within the state that is outside of the school district in which an
 17 eligible student resides or a non-public elementary or secondary school
 18 within the state that complies with all of the requirements of this
 19 subchapter.

20 (6) “Scholarship-granting organization” means an organization
 21 that complies with the requirements of this subchapter and provides
 22 educational scholarships to eligible students receiving its educational
 23 scholarships attending qualified schools of their parents’ choice.

24
 25 26-51-2203. Income Tax Credit.

26 (a) A taxpayer who files a state income tax return and who is not
 27 claimed as a dependent on another taxpayer’s state income tax return may
 28 claim an income tax credit under this subchapter against income tax due from
 29 the taxpayer under the Income Tax Act of 1929, 26-51-101 et seq. for a
 30 contribution made to a scholarship granting organization.

31 (b) The income tax credit under this subchapter may be claimed by an
 32 individual taxpayer or a married couple filing jointly or a corporate
 33 taxpayer in an amount equal to the total contributions made to a scholarship-
 34 granting organization during the taxable year for which the credit is claimed
 35 in an amount up to fifty percent (50%) of the taxpayer’s state income tax
 36 liability.

1 (c) A person may carry forward an income tax credit under this
 2 subchapter for three tax years.

3
 4 26-51-2204. Scholarships.

5 (a) A scholarship granting organization shall:

6 (1) Notify the department of its intent to provide an
 7 educational scholarship to an eligible student attending a qualified school;

8 (2) Demonstrate to the department that it is an exempt
 9 organization under 26 U.S.C. § 501(c)(3);

10 (3) Provide a department-approved receipt or form to taxpayers
 11 for contributions made to the organization;

12 (4) Ensure that at least ninety percent (90%) of its revenue
 13 from contributions is spent on educational scholarships, and that all revenue
 14 from interest or an investment is spent on educational scholarships;

15 (5) Spend a portion of its expenditures each year on educational
 16 scholarships for low-income eligible students receiving its educational
 17 scholarships equal to the percentage of low-income eligible students
 18 receiving its educational scholarships in the county where the scholarship-
 19 granting organization expends the majority of its educational scholarships;

20 (6) Ensure that at least fifty percent (50%) of first time
 21 recipients of educational scholarships were not continuously enrolled in a
 22 non-public school during the previous year;

23 (7) Distribute periodic educational scholarship payments as
 24 checks made out to an eligible student's parent and mailed to the qualified
 25 school where the eligible student is enrolled;

26 (8) Cooperate with the department to conduct criminal background
 27 checks on all of its employees and board members and exclude from employment
 28 or governance any individual that might reasonably pose a risk to the
 29 appropriate use of contributions;

30 (9) Ensure that an educational scholarship is portable during
 31 the school year and can be used at any qualified school that accepts the
 32 eligible student according to a parent's wishes. If an eligible student moves
 33 to a new qualified school during a school year, the educational scholarship
 34 amount may be prorated;

35 (10) Demonstrate its financial accountability through:

36 (A) Submission of a financial information report for the

1 organization that complies with uniform financial accounting standards
 2 established by the department and conducted by a certified public accountant;
 3 and

4 (B) Certification by an auditor that the financial
 5 information report is free of material misstatements.

6 (11) Demonstrate its financial viability, if the scholarship-
 7 granting organization is receive donations of fifty thousand dollars
 8 (\$50,000) or more during the school year by filing with the department prior
 9 to the start of the school year:

10 (A) A surety bond payable to the state in an amount equal
 11 to the aggregate amount of contributions expected to be received during the
 12 school year; or

13 (B) Financial information that demonstrates the financial
 14 viability of the scholarship-granting organization.

15 (b) Each scholarship-granting organization shall ensure that
 16 participating qualified schools that accept its eligible students receiving
 17 its educational scholarships will:

18 (1) Comply with all health and safety laws or codes that apply
 19 to non-public schools;

20 (2) Hold a valid occupancy permit if required by their
 21 municipality;

22 (3) Certify that they will not discriminate in admissions on the
 23 basis of race, color, national origin, religion, or disability; and

24 (4) Provide academic accountability to the parent of the
 25 eligible student receiving its educational scholarship in the qualified
 26 school program by regularly reporting to the parent on the student's
 27 progress.

28 (c) A scholarship-granting organization shall not provide an
 29 educational scholarship for an eligible student receiving its educational
 30 scholarship to attend any school that employs any staff member, board member,
 31 or relative of a staff member or board member, in common with the scholarship
 32 granting organization.

33 (d) A scholarship-granting organization shall publicly report to the
 34 department by June 1 of each year regarding its grants of educational
 35 scholarships in the previous calendar year the following information prepared
 36 by a certified public accountant:

1 (1) The name and address of the student support organization;

2 (2) The total number and total dollar amount of contributions
 3 received during the previous calendar year; and

4 (3) The total number and total dollar amount of educational
 5 scholarships awarded during the previous calendar year, the total number and
 6 total dollar amount of educational scholarships awarded during the previous
 7 year to low-income eligible students, and the percentage of first time
 8 recipients of educational scholarships who were continuously enrolled in a
 9 public school during the previous year.

10
 11 26-51-2205. Enforcement.

12 (a) The department shall promulgate rules to implement this
 13 subchapter.

14 (b) The department shall provide a form for a receipt to be issued by
 15 a scholarship-granting organization to a taxpayer to indicate the value of a
 16 contribution received and require a taxpayer to provide a copy of this
 17 receipt when claiming the income tax credit under this subchapter.

18 (c) The department shall provide a form for a scholarship-granting
 19 organization to report required information under this subchapter.

20 (d) The department may to conduct a financial review and audit of a
 21 scholarship-granting organization if possessing evidence of fraud.

22 (e) The department may bar a organization from being a scholarship-
 23 granting organization under this subchapter if the department establishes
 24 that the organization has intentionally and substantially failed to comply
 25 with the requirements of this subchapter.

26 (f) If the department decides to bar a organization from being a
 27 scholarship-granting organization under this subchapter, the department shall
 28 promptly notify affected scholarship eligible students and their parents of
 29 this decision.

30 (g) The department shall allow a taxpayer to divert a prorated amount
 31 of state income tax withholding to a scholarship-granting organization of the
 32 taxpayer's choice up to the maximum income tax credit under this subchapter
 33 allowed, including carry-over income tax credits under this subchapter.

34
 35 26-51-2206. Student Eligibility.

36 An eligible student who receives an educational scholarship under this

1 subchapter remains eligible for an educational scholarship until the eligible
2 student graduates high school or reaches twenty-one (21) years of age.

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4 SECTION 2. Effective Date.

5 This act is effective for tax years beginning on or after January 1,
6 2007.