PENNSYLVANIA
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Summary of House Bill 2468: Educational Improvement Tax Credit Expansion

H.B. 2648 (P.N. 3736) (Christiana – R - Beaver) Increases Existing Educational Improvement Tax Credit (EITC) Program from $75 Million to $300 Million Per Year – Expands Scholarships to Children Living in Jurisdictions with "Low-Performing Schools."

H.B. 2648 keeps many aspects of the existing EITC program, but expands upon them in several significant ways including:

- Scope of the program – creates a new type of organization and scholarship aimed at children in areas with low-performing public schools;
- Income limits for scholarship recipients – increased substantially from existing law and grow with inflation;
- Tax credit limits – both the amount an individual company may receive, as well as the amount of credits awarded to all companies, increases dramatically.

The bill creates a new type of entity, called Opportunity Scholarship Organizations (OSOs). These non-profit organizations provide scholarships called Educational Opportunity Scholarships (EOS) to qualified students who reside "within the attendance boundary of a low-achieving school." The bill defines low-achieving school as an individual public primary or secondary school that scores in the bottom 15% of combined math and reading scores in the previous school year. Scholarships are not limited to students attending the low-performing school: any student in the attendance boundaries, including those currently attending private or religious schools, would be eligible to receive a scholarship. Students residing in the low-performing school attendance boundary can apply to attend a public school in another school district, or a private or religious school. Admission by receiving schools is voluntary, although non-resident public schools have to select students on a lottery basis.

Children who receive an EOS are entitled to scholarships as long as they remain eligible and enrolled in a nonpublic or non-resident public school – even if the local public school is no longer on the "low performing" list.

The OSOs operate much like the EITC program's existing Scholarship Organizations (SOs), Educational Improvement Organizations (EIOs) and Pre-Kindergarten Scholarship Organizations (PKSOs). They use donations from businesses to fund scholarships for tuition to other schools. In exchange for the donation, companies receive a tax credit (on top of the federal and state charitable deductions).

Families with incomes up to $60,000 plus $12,000 per child are eligible for an EITC scholarship in 2012-13. Income limits would increase to $75,000 plus $15,000 per child in 2013-14, with the per-child allowance growing with inflation in future years. This means in 2013-14, families with two children may earn up to $105,000 would be eligible for scholarships. For disabled children, the family income limits are 1.5 to 2.93 times the traditional limits.

The qualifying limit on a business's contribution increases from $300,000 per year to $400,000 in 2012-13 and to $750,000 in 2013-14. For a single year donation, the company receives a 75% state tax credit. For two-year pledges, companies receive tax credits equal to 90% of the donation amount. Companies receive a 100% credit for the first $10,000 donated to a PKSO. For most corporations, these credit amounts, when combined with state and federal tax deductions, allow the company to recoup 90% to 100% of the amount donated in tax savings – meaning the out-of-pocket cost of the donation is 10% or less.

The bill sets the following limits on the total amount of credits that can be awarded in a fiscal year:

	Current	**2012-13**	**2013-14**	**2014-15+**
Scholarship Organization	$44.7 million	$62 million	$62 million	$62 million*
Educational Improvement Organization	$22.3 million	$30 million	$30 million	$30 million*
Pre-Kindergarten Scholarship Organization	$8 million	$8 million	$8 million	$8 million*
Opportunity Scholarship Organization	NA	$100 million	$150 million	$200 million*
Total	**$75 million**	**$200 million**	**$250 million**	**$300 million***

* Beginning 2015-16, if 90% of the previous year's total eligible credits are awarded, the limits grow by 5%.

The bill would continue the existing limitations on reporting requirements for scholarship organizations under Act 46 of 2005. Scholarship organizations, Pre-kindergarten Scholarship Organizations and the new OSOs must report only the number of scholarships awarded, dollar value, and county of award – if known. EIOs are to report the name of the program receiving grants, goals and results of each program, school districts served, and total awards by county, if collected.

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