

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Create a Scholarship Grant Organization Tax Credit

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 20-A MRSA §5815 is enacted to read:

§ 5815. School tuition organization reporting

A school tuition organization, as defined in Title 36, section 5219-BB, using voluntary donations provided pursuant to Title 36, section 5219-BB shall report annually by March 1st to the Department of Administrative and Financial Services, Bureau of Revenue Services, in a form prescribed by the bureau, the following information:

- 1. Name.** The name, address and contact name of the school tuition organization;
- 2. Number of contributions.** The total number of contributions received during the previous calendar year;
- 3. Amount of contributions.** The total dollar amount of contributions received during the previous calendar year;
- 4. Number of children.** The total number of children awarded educational scholarships or tuition grants during the previous calendar year;
- 5. Amount of scholarships or grants.** The total dollar amount of educational scholarships and tuition grants awarded during the previous calendar year; and
- 6. School information.** For each school to which educational scholarships or tuition grants were awarded:
 - A.** The name and address of the school;
 - B.** The number of educational scholarships and tuition grants awarded during the previous calendar year; and
 - C.** The total dollar amount of educational scholarships and tuition grants awarded during the previous calendar year.

Sec. 2. 36 MRSA §5219-BB is enacted to read:

§ 5219-BB. Scholarship grant organization credit

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

- A. "Child with a disability" has the same meaning as in Title 20-A, section 7001, subsection 1-B.
- B. "Eligible dependent" means a dependent of an individual, when the dependent is enrolled in a qualified school.
- C. "Private school" means an academy, seminary, institute or other private corporation or body formed for educational purposes covering kindergarten through grade 12 or any portion thereof.
- D. "Qualified school" means a private school for elementary and secondary education or a private preschool for a child with a disability that:

(1) Is located in this State;

(2) Does not discriminate on the basis of race, color, disability, familial status or national origin; and

(3) Satisfies the requirements prescribed by law for private schools in this State on January 1, 2007.

- E. "School tuition organization" means a charitable organization in this State that:

(1) Is exempt from federal taxation under Section 501(c)(3) of the Code;

(2) Allocates at least 90% of its annual revenue for educational scholarships or tuition grants to children to allow them to attend any qualified school of their parents' choice; and

(3) Provides educational scholarships or tuition grants to students without limiting availability of those scholarships or grants to students of a specific school.

2. Amount. An individual is allowed a credit up to \$1,200 per eligible dependent against the tax otherwise due under this Part in the amount of voluntary cash contributions made by the individual during the taxable year to a school tuition organization.

3. Conditions. The credit allowed under subsection 2 is subject to the following conditions.

A. A married couple who file separate returns for a taxable year in which they could have filed a joint return may each claim only 1/2 of the tax credit that would have been allowed for a joint return.

B. Any part of the voluntary cash contribution that is used to reduce the individual's Maine tax liability except as provided in this section is ineligible for the credit provided pursuant to this section.

C. The tax credit is not allowed if the individual designates the individual's contribution to the school tuition organization for the direct benefit of any dependent of the individual.

D. The school tuition organization must meet the reporting requirements specified in Title 20-A, section 5815.

4. Limitation; carry-forward. The credit under this section may not reduce the tax otherwise due under this Part to less than zero. An individual entitled to a credit under this section for any taxable year may carry over and apply to the tax liability for any one or more of the next succeeding 5 taxable years the portion, as reduced from year to year, of any unused credits.

Sec. 3. Application. This Act applies to tax years beginning on or after January 1, 2007.

SUMMARY

This bill establishes a scholarship grant organization credit to provide a tax credit to individuals who donate to school tuition organizations. School tuition organizations are defined as organizations that provide grants or scholarships to private school students in kindergarten to grade 12 and to private preschools for children with disabilities.

The maximum amount of the credit is \$1,200 per year per child enrolled in a private school. School tuition organizations that receive such contributions are subject to reporting requirements. The credit is not available to a person who designates any part of the contribution for the direct benefit of a dependent of the person.