

Senate Bill 687

Sponsored by Senator C STARR

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Provides income tax credit to taxpayers who pay educational expenses for qualifying students at certain public or private schools, homeschooling costs or contributions to certain qualifying scholarship organizations. Provides that credit is refundable credit if expenses are incurred on behalf of low-income eligible student.

Applies to tax years beginning on or after January 1, 2006.

A BILL FOR AN ACT

Relating to education tax credits; creating new provisions; and amending ORS 316.502.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 2 and 3 of this 2005 Act may be cited as the Family Education Tax Credit Program Act.

SECTION 2. As used in sections 2 and 3 of this 2005 Act:

(1) "Educational expenses" means tuition, transportation costs and fees for academic programs and supplies, but does not include fees for athletic expenses.

(2) "Eligible student" means a student who attends or who is eligible to attend a public school or a private school in any grade from kindergarten through grade 12.

(3) "Household income" has the meaning given that term in ORS 310.630.

(4) "Low-income eligible student" means an eligible student who resides in a household with household income that does not exceed _____ percent of federal poverty guidelines.

(5) "Parent" includes a guardian, custodian or other person with authority to act on behalf of a student.

(6) "Qualifying scholarship organization" means an organization that:

(a) Is exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code;

(b) Uses at least 90 percent of the amounts contributed to the organization and other revenues of the organization to provide scholarships to eligible students;

(c) Spends all revenue from interest and investments on scholarships;

(d) Annually expends on scholarships for low-income eligible students a portion of its total scholarship expenditures that is equal to the percentage of low-income eligible students in the county where the organization provides the majority of its scholarships; and

(e) Ensures that at least _____ percent of first-time recipients of scholarships did not attend a private school during the previous year or did not receive homeschooling during the previous year.

(7) "Qualifying school" means a:

(a) Public elementary or secondary school that is located in a school district other than the school district in which the eligible student resides;

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (b) Private school registered with the Department of Education under ORS 345.505 to
2 345.575; or

3 (c) Homeschool as provided in ORS 339.030.

4 (8) "Scholarship" means a grant used to pay educational expenses for an eligible student
5 to attend a qualifying school.

6 **SECTION 3.** (1) A credit against the taxes otherwise due under ORS chapter 316, or if the
7 taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer:

8 (a) For amounts paid or incurred by the taxpayer during the tax year for the educational
9 expenses for an eligible student who is attending a qualifying school; or

10 (b) For amounts contributed by the taxpayer to a qualifying scholarship organization
11 during the tax year.

12 (2)(a) The amount of the credit allowed under this section shall equal the lesser of:

13 (A) The amount actually paid or incurred for educational expenses or the amount actu-
14 ally contributed to a qualifying scholarship organization; or

15 (B) Fifty percent of the taxpayer's tax liability for the tax year.

16 (b) A credit computed under this subsection may not be carried to another tax year.

17 (3) Notwithstanding subsection (2) of this section:

18 (a) If educational expenses are paid or incurred on behalf of a low-income eligible stu-
19 dent, the amount of the credit shall equal the amount of educational expenses actually paid
20 or incurred by the taxpayer during the tax year on behalf of the low-income eligible student;
21 and

22 (b) If the amount allowable as a credit under this subsection, when added to the amounts
23 allowable as payment of tax under ORS 316.187 (withholding), ORS 316.583 (estimated tax),
24 other tax prepayment amounts and other refundable credit amounts, exceeds the taxes im-
25 posed by ORS chapters 314 and 316 for the tax year (reduced by any nonrefundable credits
26 allowable for purposes of ORS chapter 316 for the tax year), the amount of the excess shall
27 be refunded to the taxpayer as provided in ORS 316.502.

28 (4) For the purpose of determining the educational expenses for a homeschooled student,
29 a taxpayer may include costs of tutoring, if conducted by a person other than a parent,
30 textbooks, school supplies, academic lessons and membership fees in an association that sets
31 academic standards or provides educational curricula for homeschool students.

32 (5) If, for the tax year, a deduction or subtraction is allowable under ORS chapter 316 for
33 the same educational expenses or contributions that are used to determine the amount of
34 the credit allowed under this section, the deduction or subtraction shall be reduced by the
35 amount of the credit.

36 (6)(a) A nonresident shall be allowed the credit under this section in the proportion pro-
37 vided in ORS 316.117.

38 (b) If a change in the status of a taxpayer from resident to nonresident or from nonres-
39 ident to resident occurs, the credit allowed by this section shall be determined in a manner
40 consistent with ORS 316.117.

41 (c) If a change in the tax year of a taxpayer occurs as described in ORS 314.085, or if the
42 Department of Revenue terminates the taxpayer's tax year under ORS 314.440, the credit
43 allowed under this section shall be prorated or computed in a manner consistent with ORS
44 314.085.

45 (d) A husband and wife who file separate returns for a tax year may each claim a share

1 of the tax credit that would have been allowed on a joint return in proportion to the contri-
2 bution of each.

3 (7) The credit allowed under this section shall be claimed on the form and in the time
4 and manner prescribed by the department.

5 **SECTION 4.** Section 3 of this 2005 Act applies to tax years beginning on or after January
6 1, 2006.

7 **SECTION 5.** ORS 316.502 is amended to read:

8 316.502. (1) The net revenue from the tax imposed by this chapter, after deducting refunds, shall
9 be paid over to the State Treasurer and held in the General Fund as miscellaneous receipts avail-
10 able generally to meet any expense or obligation of the State of Oregon lawfully incurred.

11 (2) A working balance of unreceipted revenue from the tax imposed by this chapter may be re-
12 tained for the payment of refunds, but such working balance shall not at the close of any fiscal year
13 exceed the sum of \$1 million.

14 (3) Moneys are continuously appropriated to the Department of Revenue to make:

15 (a) The refunds authorized under subsection (2) of this section; and

16 (b) The refund payments in excess of tax liability authorized under ORS 315.262 **and section 3**
17 **of this 2005 Act.**

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