HB 1128-FN - AS INTRODUCED

2024 SESSION

24-2622
11/05

HOUSE BILL ***1128-FN***

AN ACT relative to the definition of a scholarship organization for purposes of the education tax credit.

SPONSORS: Rep. Luneau, Merr. 9

COMMITTEE: Education

ANALYSIS

This bill provides that, for purposes of the education tax credit, a qualifying scholarship organization shall be incorporated in this state.

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Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

24-2622
11/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Four

AN ACT relative to the definition of a scholarship organization for purposes of the education tax credit.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Education Tax Credit; Definition of Scholarship Organization. Amend RSA 77-G:1, XVII to read as follows:

XVII. "Scholarship organization" means a charitable organization incorporated [~~or qualified to do business~~] in this state that:

(a) Is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code;

(b) Complies with applicable state and federal antidiscrimination and privacy laws;

(c) Is registered with the director of charitable trusts; and

(d) Has been approved by the department of revenue administration for the purpose of issuing scholarships as provided in this chapter.

2 Effective Date. This act shall take effect July 1, 2024.

LBA
24-2622
10/25/23

HB 1128-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the definition of a scholarship organization for purposes of the education tax credit.

FISCAL IMPACT: [X] State [ ] County [ ] Local [ ] None

Estimated State Impact - Increase / (Decrease)				
	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**
Revenue	$0	Approximately $1,500,000 to $5,100,000 Per Year		
Revenue Fund(s)	General Fund and Education Trust Fund			
Expenditures	$0	$0	$0	$0
Funding Source(s)	None			
Appropriations	$0	$0	$0	$0
Funding Source(s)	None			

METHODOLOGY:

This bill changes the definition of scholarship organization, for purposes of the education tax credit program (ETC), by striking "or qualified to do business". The removal of the language changes the definition so that only charitable organizations incorporated in the state may qualify as a scholarship organization. The Department of Revenue Administration states the 2023-2024 ETC program year only has one (1) approved scholarship organization, which is incorporated outside of New Hampshire, but is in good standing with the State.

The ETC allows a business organization, business enterprise, or individual to make a money contribution (up to $600,000) to approved scholarship organizations for which the business organization, business enterprise, or individual may claim a tax credit against their business profits tax (BPT), business enterprise tax (BET), or interest and dividends tax (I&D) equal to 85% of their contribution. The aggregate amount of tax credits awarded in any given ETC program year is $5.1 million. The ETC has a 5-year carryforward provision as it applies to the BPT and/or BET, however, there is no carryforward provision when it is applied to I&D. The tax credit may only be used to offset I&D tax liabilities incurred in the tax year in which the donation was made.

The passage of this bill would disqualify the current approved scholarship organization for the 2024-2025 ETC program year and beyond, which would have a positive general fund and

education trust fund revenue impact relative to the BPT, BET, and I&D taxes if no other eligible scholarship organizations are approved. In FY 2022, the amount of ETC claimed was $1,545,000. Therefore, it is likely this bill's impact on state revenue would be somewhere between $1.5M and $5.1M in FY 2025 and each year thereafter.

The proposed legislation would not result in any additional administrative costs that could not be absorbed in the Department's operating budget.

AGENCIES CONTACTED:

Department of Revenue Administration