

SECOND REGULAR SESSION

HOUSE BILL NO. 2427

95TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES JONES (89) (Sponsor), ICET, TILLEY, SCHOELLER, McNARY,
ALLEN, ZERR, FUNDERBURK, BIVINS AND SCHAAF (Co-sponsors).

5078L.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapter 135, RSMo, by adding thereto five new sections relating to the school choice tax credit act.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 135, RSMo, is amended by adding thereto five new sections, to be
2 known as sections 135.1400, 135.1402, 135.1404, 135.1406, and 135.1408, to read as follows:

3 **135.1400. 1. The provisions of sections 135.1400 to 135.1408 shall be known as the**
4 **"School Choice Tax Credit Act".**

5 **2. As used in sections 135.1400 to 135.1408, the following terms mean:**

6 **(1) "Department", the state department of revenue;**

7 **(2) "Educational scholarships", grants to students to cover all or part of the tuition**
8 **and fees at either a qualified nonpublic school or a qualified public school, including**
9 **transportation to a public school outside of a student's resident school district;**

10 **(3) "Eligible student", a student who:**

11 **(a) Is a member of a household whose total annual income during the year before**
12 **he or she receives an educational scholarship under this program does not exceed an**
13 **amount equal to two and five-tenths times the income standard used to qualify for a free**
14 **or reduced price lunch under the federal Free or Reduced Price Lunch Program**
15 **established under 42 U.S.C. Section 1751, et seq. Once a student receives a scholarship**
under this program, the student will remain eligible regardless of household income until
the student graduates high school or reaches twenty years of age;

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

16 (b) Was eligible to attend a public school in the preceding semester or is starting
17 school in Missouri for the first time; and

18 (c) Resides in Missouri while receiving an educational scholarship under sections
19 135.1400 to 135.1408;

20 (4) "Low-income eligible student", a student who qualifies for free or reduced price
21 lunch under the national Free or Reduced Price Lunch Program established under 42
22 U.S.C. Section 1751, et seq.;

23 (5) "Parent", includes a guardian, custodian, or other person with authority to act
24 on behalf of the eligible student;

25 (6) "Program", the school choice tax credit program;

26 (7) "Qualified school", either a public elementary or secondary school outside the
27 district in which a student resides or a nonpublic elementary or secondary school in
28 Missouri that complies with all of the requirements of the program;

29 (8) "Scholarship granting organization", an organization that complies with the
30 requirements of this program and provides education scholarships to students attending
31 qualified schools of their parents' choice.

135.1402. 1. Beginning with tax year 2011, a taxpayer who files a state income tax
2 return and is not a dependent of another taxpayer may claim a credit for a contribution
3 made to a scholarship granting organization.

4 2. The credit may be claimed by an individual taxpayer or a married couple filing
5 jointly in an amount equal to the total contributions made to a scholarship granting
6 organization during the taxable year for which the credit is claimed up to fifty percent of
7 the taxpayer's tax liability.

8 3. An individual taxpayer or a married couple filing jointly may carry forward a
9 tax credit under this program for three years.

10 4. Beginning with tax year 2011, the credit may be claimed by a corporate taxpayer
11 in an amount equal to the total contributions made to a scholarship granting organization
12 for educational scholarships during the taxable year for which the credit is claimed up to
13 fifty percent of the taxpayer's tax liability, not to exceed a credit of three hundred thousand
14 dollars.

15 5. A corporate taxpayer may carry forward a tax credit under this program for
16 three years.

17 6. The total amount of tax credits that may be granted in a fiscal year is ten million
18 dollars.

135.1404. 1. Each scholarship granting organization shall:

- 2 **(1) Notify the department of its intent to provide educational scholarships to**
3 **eligible students attending qualified schools;**
- 4 **(2) Demonstrate to the department that it has been granted exemption from the**
5 **federal income tax as an organization described in Section 501(c)(3) of the Internal**
6 **Revenue Code of 1986, as amended;**
- 7 **(3) Provide a department-approved receipt to taxpayers for contributions made to**
8 **the organization;**
- 9 **(4) Ensure that at least ninety percent of its revenue from donations is spent on**
10 **educational scholarships, and that all revenue from interest or investments is spent on**
11 **educational scholarships;**
- 12 **(5) Spend each year a portion of its expenditures on scholarships for low-income**
13 **eligible students equal to the percentage of low-income eligible students in the school**
14 **district where the scholarship granting organization grants the majority of its scholarships;**
- 15 **(6) Ensure that at least eighty percent of first-time recipients of educational**
16 **scholarships were not continuously enrolled in a nonpublic school during the previous**
17 **year;**
- 18 **(7) Distribute periodic scholarship payments as checks made out to a student's**
19 **parent or guardian and mailed to the qualified school where the student is enrolled. The**
20 **parent or guardian shall endorse the check before it can be deposited;**
- 21 **(8) Cooperate with the department to conduct criminal background checks on all**
22 **of its employees and board members and exclude from employment or governance any**
23 **individual who might reasonably pose a risk to the appropriate use of contributed funds;**
- 24 **(9) Ensure that scholarships are portable during the school year and can be used**
25 **at any qualified school that accepts the eligible student according to a parent's wishes. If**
26 **an eligible student moves to a new qualified school during a school year, the scholarship**
27 **amount may be prorated;**
- 28 **(10) Demonstrate its financial accountability by:**
- 29 **(a) Submitting a financial information report for the organization that complies**
30 **with uniform financial accounting standards established by the department and conducted**
31 **by a certified public accountant; and**
- 32 **(b) Having the auditor certify that the report is free of material misstatements;**
- 33 **(11) Demonstrate its financial viability, if it is to receive donations of fifty thousand**
34 **dollars or more during the school year, by:**
- 35 **(a) Filing with the department prior to the start of the school year a surety bond**
36 **payable to the state in an amount equal to the aggregate amount of contributions expected**
37 **to be received during the school year; or**

38 (b) Filing with the department prior to the start of the school year financial
39 information that demonstrates the financial viability of the scholarship granting
40 organization.

41 2. Each scholarship granting organization shall ensure that participating schools
42 that accept its scholarship students will:

43 (1) Comply with all health and safety laws or codes that apply to nonpublic schools;

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

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

47 (4) Provide academic accountability to parents of the students in the program by
48 regularly reporting to the parent on the student's progress.

49 3. Scholarship granting organizations shall not provide educational scholarships
50 for eligible students to attend any school with paid staff or board members, or relatives
51 thereof, in common with the scholarship granting organization.

52 4. A scholarship granting organization shall publicly report to the department by
53 June first of each year the following information prepared by a certified public accountant
54 regarding its grants in the previous calendar year:

55 (1) The name and address of the organization;

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

58 (3) The total number and total dollar amount of educational scholarships awarded
59 during the previous calendar year, the total number and total dollar amount of educational
60 scholarships awarded during the previous year to students qualifying for the federal Free
61 or Reduced Price Lunch Program, and the percentage of first-time recipients of
62 educational scholarships who were continuously enrolled in a public school during the
63 previous year.

135.1406. 1. The department shall adopt rules and procedures consistent with
2 sections 135.1400 to 135.1408 as necessary to implement the program.

3 2. The department shall provide a standardized format for a receipt to be issued
4 by a scholarship granting organization to a taxpayer to indicate the value of a contribution
5 received. The department shall require a taxpayer to provide a copy of this receipt when
6 claiming the school choice tax credit.

7 3. The department shall provide a standardized format for scholarship granting
8 organizations to report the information required in subsection 4 of section 135.1404.

9 4. The department shall have the authority to conduct either a financial review or
10 audit of a student support organization if possessing evidence of fraud.

11 **5. The department may bar a scholarship granting organization from participating**
12 **in the program if the department establishes that the scholarship granting organization has**
13 **intentionally and substantially failed to comply with the requirements of section 135.1404.**

14 **6. If the department decides to bar a scholarship granting organization from the**
15 **program, it shall notify affected scholarship students and their parents of this decision as**
16 **quickly as possible.**

17 **7. The department shall allow a taxpayer to divert a prorated amount of state**
18 **income tax withholdings to a scholarship granting organization of the taxpayer's choice up**
19 **to the maximum credit allowed by law, including carry-over credits. The department shall**
20 **have the authority to develop a procedure to facilitate this process.**

135.1408. 1. All qualified schools shall be required to operate in Missouri.

2 **2. All qualified schools shall comply with all state laws that apply to nonpublic**
3 **schools regarding criminal background checks for employees and exclude from**
4 **employment any people not permitted by state law to work in a nonpublic school.**

✓