

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX Credit for Prekindergarten Scholarship Contributions

March 8, 2007

Department of Revenue
Analysis of H.F. 20 (Thissen), 1st Engrossment

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	-- To be determined --		\$0	\$0

Effective for tax years beginning after December 31, 2006.

EXPLANATION OF THE BILL

The proposal would allow corporations to claim a nonrefundable franchise tax credit for contributions made to prekindergarten scholarship granting organizations (preK SGOs) that would then award scholarships to eligible students so that they can attend qualified prekindergarten educational programs. The amount of the credit would be equal to 50% of the total money contributed to an eligible preK SGO and the maximum credit allowed to any corporation in a taxable year is \$100,000. The Minnesota Department of Education would be responsible for facilitating the program, including certifying scholarship granting organizations and issuing tax credit certificates. The statewide credit maximum is left blank for fiscal years 2008 and 2009.

In order for a child to be eligible to receive a scholarship from a preK SGO, they must be a Minnesota resident less than seven years of age, not yet enrolled in kindergarten or first grade and from a household with an income less than 75% of the statewide median family income. Qualified prekindergarten educational programs are limited to preK programs established by a school district; a licensed and accredited preschool, nursery school or early childhood development program; an accredited Montessori program; an early childhood family education program; or a school readiness program.

REVENUE ANALYSIS DETAIL

- It is assumed that the cost to the state would be equal to the total credit limitation, which is left blank in the bill. The proposal is similar existing corporate scholarship donation credits in Florida and Pennsylvania. As in this bill, the Florida and Pennsylvania credits restrict scholarships to low-income families. The annual statewide cap is \$88 million for the Florida program and \$54 million for the Pennsylvania program. Both programs meet their statewide cap on an annual basis.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf0020(sf1089)_1/kfk