

REFERENCE TITLE: public school tax credit reallocation

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

HB 2328

Introduced by
Representatives Friese, Cardenas, Fernandez, Gabaldón, Larkin: Espinoza,
Hale, Rios

AN ACT

AMENDING TITLE 15, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-237.02; AMENDING SECTION 43-1089.01, ARIZONA REVISED STATUTES; RELATING TO THE PUBLIC SCHOOLS INCOME TAX CREDIT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 15, chapter 2, article 2, Arizona Revised Statutes,
3 is amended by adding section 15-237.02, to read:

4 15-237.02. Public school needs fund; applications; selection
5 criteria; ranking; report

6 A. THE PUBLIC SCHOOL NEEDS FUND IS ESTABLISHED CONSISTING OF MONIES
7 TRANSFERRED PURSUANT TO SECTION 43-1089.01, SUBSECTION F. THE DEPARTMENT OF
8 EDUCATION SHALL RECEIVE, HOLD, PAY AND MANAGE THE MONIES IN THE FUND IN TRUST
9 FOR THE SUPPORT OF THE PROGRAMS AND ACTIVITIES OF PUBLIC SCHOOLS AS PROVIDED
10 BY SECTION 43-1089.01. ON NOTICE FROM THE DEPARTMENT, THE STATE TREASURER
11 SHALL INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND
12 MONIES EARNED FROM INVESTMENTS SHALL BE CREDITED TO THE FUND. MONIES IN THE
13 FUND ARE CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS SECTION AND ARE
14 EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
15 APPROPRIATIONS. THE DEPARTMENT MAY USE NOT MORE THAN FIVE PERCENT OF THE
16 MONIES IN THE FUND EACH FISCAL YEAR TO PAY THE DEPARTMENT'S ADMINISTRATIVE
17 EXPENSES UNDER THIS SECTION.

18 B. THE DEPARTMENT SHALL:

19 1. DEVELOP APPLICATION FORMS AND PROCEDURES AND SELECTION CRITERIA FOR
20 SCHOOL DISTRICTS AND CHARTER SCHOOLS TO APPLY FOR DISTRIBUTIONS OF MONIES
21 FROM THE FUND.

22 2. EVALUATE, RATE AND NUMERICALLY RANK THE APPLICATIONS BASED ON:

23 (a) THE FINANCIAL NEED OF THE SCHOOL DISTRICT OR CHARTER SCHOOL.

24 (b) THE TOTAL AMOUNT OF PUBLIC SCHOOL TAX CREDIT DONATIONS RECEIVED
25 FROM TAXPAYERS BY THE SCHOOL DISTRICT OR CHARTER SCHOOL IN THE IMMEDIATELY
26 PRECEDING YEAR.

27 (c) THE QUALITY AND MERITS OF THE REQUEST.

28 C. IF THE AMOUNT OF MONIES REQUESTED BY SCHOOL DISTRICTS AND CHARTER
29 SCHOOLS UNDER THIS SECTION EXCEEDS THE AMOUNT OF MONIES AVAILABLE FOR
30 DISTRIBUTION IN THE FUND, THE DEPARTMENT SHALL RANK THE APPLICATIONS
31 ACCORDING TO THE APPLICATION CRITERIA AND AWARD MONIES TO PROJECTS IN RANKED
32 ORDER UNTIL THE MONIES ARE EXHAUSTED.

33 D. NOT LATER THAN SEPTEMBER 30 OF EACH YEAR, THE DEPARTMENT SHALL
34 ISSUE A REPORT OF THE MONIES IT RECEIVED AND DISTRIBUTED PURSUANT TO THIS
35 SECTION IN THE PRECEDING FISCAL YEAR, SPECIFICALLY INCLUDING:

36 1. THE DOLLAR AMOUNT OF MONEY PAID INTO THE FUND DURING THE YEAR
37 PURSUANT TO SECTION 43-1089.01, SUBSECTION F, PARAGRAPH 1.

38 2. THE NAMES OF ALL APPLICANTS AND THE NAMES OF APPLICANTS THAT
39 SUBMITTED MORE THAN ONE APPLICATION DURING THE YEAR.

40 3. THE TOTAL NUMBER OF APPLICATIONS RECEIVED AND THE PERCENTAGE OF
41 APPLICATIONS THAT WERE FUNDED DURING THE YEAR.

42 4. THE DEPARTMENT'S RANKING OF ALL APPLICATIONS.

43 5. FOR EACH FUNDED APPLICATION, THE NAME OF THE APPLICANT, THE PURPOSE
44 OF THE APPLICATION AND THE DOLLAR AMOUNT PAID TO THE APPLICANT FROM THE FUND.

1 6. FOR EACH UNFUNDED APPLICATION, THE NAME OF THE APPLICANT AND THE
2 PURPOSE OF THE APPLICATION.

3 7. THE DOLLAR AMOUNT USED FROM THE FUND TO PAY THE DEPARTMENT'S
4 ADMINISTRATIVE EXPENSES.

5 E. THE DEPARTMENT SHALL SUBMIT A COPY OF THE REPORT COMPILED UNDER
6 SUBSECTION D OF THIS SECTION TO THE GOVERNOR, THE PRESIDENT OF THE SENATE,
7 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE SECRETARY OF STATE AND
8 PROVIDE A COPY OF THE REPORT, ON REQUEST, TO ANY MEMBER OF THE PUBLIC.

9 Sec. 2. Section 43-1089.01, Arizona Revised Statutes, is amended to
10 read:

11 43-1089.01. Tax credit; public school fees and contributions;
12 definitions

13 A. A credit is allowed against the taxes imposed by this title for the
14 amount of any fees PAID or cash contributions MADE by a taxpayer or on the
15 taxpayer's behalf pursuant to section 43-401, subsection G during the taxable
16 year to a public school located in this state for ~~the support of~~ FEES PAID
17 FOR standardized testing fees for college credit or readiness offered by a
18 widely recognized and accepted educational testing organization, the career
19 and technical education industry certification assessment, ~~OR~~ preparation
20 courses and materials for standardized testing, ~~OR CONTRIBUTIONS FOR THE~~
21 SUPPORT OF extracurricular activities or character education programs of the
22 public school, but not exceeding:

23 1. ~~Two~~ FIVE hundred dollars for a single individual or a head of
24 household.

25 2. Three hundred dollars in taxable year 2005 for a married couple
26 filing a joint return.

27 3. Four hundred dollars in taxable year 2006 ~~and any subsequent~~
28 THROUGH taxable year 2016 for a married couple filing a joint return.

29 4. ONE THOUSAND DOLLARS IN TAXABLE YEAR 2017 AND ANY SUBSEQUENT
30 TAXABLE YEAR FOR A MARRIED COUPLE FILING A JOINT RETURN.

31 B. A husband and wife who file separate returns for a taxable year in
32 which they could have filed a joint return may each claim only one-half of
33 the tax credit that would have been allowed for a joint return.

34 C. The credit allowed by this section is in lieu of any deduction
35 pursuant to section 170 of the internal revenue code and taken for state tax
36 purposes.

37 D. If the allowable tax credit exceeds the taxes otherwise due under
38 this title on the claimant's income, or if there are no taxes due under this
39 title, the taxpayer may carry the amount of the claim not used to offset the
40 taxes under this title forward for not more than five consecutive taxable
41 years' income tax liability.

42 E. The site council of the public school that receives contributions
43 that are not designated for a specific purpose shall determine how the
44 contributions are used at the school site. If a charter school does not have
45 a site council, the principal, director or chief administrator of the charter

1 school shall determine how the contributions that are not designated for a
2 specific purpose are used at the school site. If at the end of a fiscal year
3 a public school has unspent contributions that were previously designated for
4 a specific purpose or program and that purpose or program has been
5 discontinued or has not been used for two consecutive fiscal years, these
6 contributions shall be considered undesignated in the following fiscal year
7 for the purposes of this subsection.

8 F. A PUBLIC SCHOOL THAT RECEIVES FEES OR CASH CONTRIBUTIONS THAT
9 QUALIFY FOR THE CREDIT UNDER THIS SECTION SHALL RETAIN FOR ITS DESIGNATED
10 PURPOSES THE FIRST TWO HUNDRED THOUSAND DOLLARS IT RECEIVES EACH YEAR. OF
11 ANY ADDITIONAL MONIES IT RECEIVES EACH YEAR, THE PUBLIC SCHOOL SHALL:

12 1. SURRENDER AND TRANSFER TWENTY-FIVE PERCENT TO THE PUBLIC SCHOOL
13 NEEDS FUND ESTABLISHED BY SECTION 15-237.02.

14 2. RETAIN FOR ITS DESIGNATED PURPOSES THE REMAINDER OF THE MONIES.

15 ~~F.~~ G. A public school that receives fees or a cash contribution
16 pursuant to subsection A of this section shall report to the department, in a
17 form prescribed by the department, by February 28 of each year the following
18 information:

19 1. The total number of fee and cash contribution payments received
20 during the previous calendar year.

21 2. The total dollar amount of fees and contributions received during
22 the previous calendar year.

23 3. The total dollar amount of fees and contributions spent by the
24 school during the previous calendar year, categorized by specific
25 standardized testing, preparation courses and materials for standardized
26 testing, extracurricular activity or character education program.

27 ~~G.~~ H. For the purposes of this section, a contribution for which a
28 credit is claimed and that is made on or before the fifteenth day of the
29 fourth month following the close of the taxable year may be applied to either
30 the current or preceding taxable year and is considered to have been made on
31 the last day of that taxable year.

32 ~~H.~~ I. For the purposes of this section:

33 1. "Career and technical education industry certification assessment"
34 means an assessment for career and technical preparation programs for pupils.

35 2. "Character education programs" means a program described in section
36 15-719.

37 3. "Extracurricular activities" means school-sponsored activities that
38 require enrolled students to pay a fee in order to participate, including
39 fees for:

40 (a) Band uniforms.

41 (b) Equipment or uniforms for varsity athletic activities.

42 (c) Scientific laboratory materials.

43 (d) In-state or out-of-state trips that are solely for competitive
44 events. Extracurricular activities do not include any senior trips or events
45 that are recreational, amusement or tourist activities.

1 4. "Public school" means a school that is part of a school district, a
2 joint technical education district or a charter school.

3 5. "Standardized testing for college credit or readiness" includes the
4 SAT, PSAT, ACT, advanced placement and international baccalaureate diploma
5 tests and other similar tests.

6 6. "Widely recognized and accepted educational testing organization"
7 means the college board, the ACT, the international baccalaureate and other
8 organizations that are widely recognized and accepted by colleges and
9 universities in the United States and that offer college credit and readiness
10 examinations.

11 Sec. 3. Effective date

12 This act is effective and applies to taxable years beginning from and
13 after December 31, 2016.