

HOUSE No. 3900

By Ms. Callahan of Sutton, petition of Jennifer M. Callahan and Barbara A. L'Italien for legislation to establish a tuition tax credit program for certain students in the Commonwealth. Revenue.

The Commonwealth of Massachusetts

In the Year Two Thousand and Seven.

AN ACT CREATING THE GREAT SCHOOLS TAX CREDIT PROGRAM.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The General laws are hereby amended by inserting
2 after Chapter 62 F the following chapter:—
3 Chapter 62 G.
4 A.) “Program” means the Great Schools Tax Credit Program.
5 B.) “Eligible student” means a student who:—
6 1.) is a member of a household whose total annual income during
7 the year before he or she receives an educational scholarship under
8 this program does not exceed an amount equal to 2.5 times the
9 income standard used to qualify for a free or reduced price lunch
10 under the national Free or Reduced Price Lunch Program established
11 under 42 USC Section 1751 et seq. Once a student receives a schol-
12 arship under this program, the student will remain eligible regardless
13 of household income until the student graduates high school or
14 reaches 21 years of age;
15 2.) was eligible to attend a public school in the preceding
16 semester or is starting school in our state for the first time;
17 3.) resides in our state while receiving an educational scholarship;
18 C.) “Low-income eligible student” means a student who qualifies
19 for free or reduced price lunch under the national Free or Reduced
20 price Lunch Program established under 42 USC Section 1751 et
21 seq.;
22 D.) “Educational scholarships” means grants to student to cover
23 all or part of the tuition and fees at either a qualified non-public
24 school or a qualified public school, including transportation to a
25 public school outside of a student’s resident school district.

26 E.) “Qualified school” means either a public elementary and/or
27 secondary school outside of the district in which a student resides or
28 a non-public elementary and/or secondary school in our state that
29 complies with all of the requirements of the program;

30 F.) “Parent” includes a guardian, custodian or other person with
31 authority to act on behalf of the child;

32 G.) “Scholarship Granting Organization” means an organization
33 that complies with the requirements of this program and provides
34 education scholarships to students attending qualified schools of
35 their parents’ choice.

36 H.) “Department” means the state Department of Revenue;

1 SECTION 2. A.) A taxpayer who files a state income tax return
2 and is not a dependent of another taxpayer may claim a credit for a
3 contribution made to a scholarship granting organization;

4 B.) The credit may be claimed by an individual taxpayer or a mar-
5 ried couple filing jointly in an amount equal to the total contribu-
6 tions made to a scholarship granting organization during the taxable
7 year for which the credit is claimed up to 50% of the taxpayer’s tax
8 liability;

9 C.) An Individual taxpayer or a married couple filing jointly may
10 carry forward a tax credit under this program for three years;

11 D.) The credit may be claimed by a corporate taxpayer in an
12 amount equal to the total contributions made to a scholarship
13 granting organization for educational scholarships during the taxable
14 year for which the credit is claimed up to 50% of the taxpayer’s tax
15 liability;

16 E.) A corporate taxpayer may carry forward a tax credit under this
17 program for three years;

1 SECTION 3. A.) Each scholarship granting organization shall:—

2 1.) notify the Department of its intent to provide educational
3 scholarships to students attending qualified schools.

4 2.) demonstrate to the Department that it has been granted exemp-
5 tion from the federal income tax as an organization described in
6 Section 501 (c) (3) of the Internal Revenue Code.

7 3.) provide a Department-approved receipt to taxpayers for contri-
8 butions made to the organization.

9 4.) ensure that at least ninety percent of its revenue from dona-
10 tions is spent on educational scholarships, and that all revenue from
11 interest or investments is spent on educational scholarships.

12 5.) spend each year a portion of its expenditures on scholarships
13 for low-income eligible students equal to the percentage of low-
14 income eligible students in the county where the scholarship
15 granting organization expends the majority of its scholarships.

16 6.) ensure that at least X% of first time recipients of educational
17 scholarships were not continuously enrolled in a non-public school
18 during the previous year.

19 7.) distribute periodic scholarship payments as checks made out to
20 a student's parent or guardian and mailed to the qualified school
21 where the student is enrolled. The parent or guardian must endorse
22 the check before it can be deposited.

23 8.) cooperate with the Department to conduct criminal back-
24 ground checks on all of its employees and board members and
25 exclude from employment or governance any individual(s) that
26 might reasonably pose a risk to the appropriate use of contributed
27 funds.

28 9.) ensure that scholarships are portable during the school year
29 and can be used at any qualified school that accepts the eligible stu-
30 dent according to a parent's wishes. If a student moves to a new
31 qualified school during a school year, the scholarship amount may
32 be prorated.

33 10.) demonstrate its financial accountability by:—

34 a.) submitting a financial information report for the organization
35 that complies with uniform financial accounting standards estab-
36 lished by the Department and conducted by a certified public
37 accountant; and

38 b.) having the auditor certify that the report is free of material
39 misstatements.

40 11.) demonstrate its financial viability, if they are to receive dona-
41 tions of \$50,000 or more during the school years; by:—

42 a.) filing with the Department prior to the start of the school year
43 a surety bond payable to the state in an amount equal to the aggre-
44 gate amount of contributions expected to be received during the
45 school year; or

46 b.) filing with the Department prior to the start of the school year
47 financial information that demonstrates the financial viability of the
48 scholarship granting organization.

49 B.) Each scholarship granting organization shall ensure that par-
50 ticipating schools that accept its scholarship students will:—

51 1.) comply with all health and safety laws or codes that apply to
52 non-public schools;

53 2.) hold a valid occupancy permit if required by their munic-
54 ipality;

55 3.) certify that they will not discriminate in admissions on the
56 basis of race, color, national origin, religion or disability;

57 4.) Provide academic accountability to parents of the students in
58 the program by regularly reporting to the parent on the student's
59 progress.

60 C.) Scholarship granting organizations shall not provide educa-
61 tional scholarships for students to attend any school with paid staff
62 or board members, or relatives thereof, in common with the scholar-
63 ship granting support organization.

64 D.) A scholarship granting organization shall publicly report to
65 the Department by June 1 of each year the following information
66 prepared by a certified public accountant regarding their grants in
67 the previous calendar year:—

68 1.) the name and address of the student support organization;

69 2.) the total number and total dollar amount of contributions
70 received during the previous calendar year; and

71 3.) the total number and total dollar amount of educational schol-
72 arships awarded during the previous calendar year; the total number
73 and total dollar amount of educational scholarships awarded during
74 the previous year to students qualifying for the federal free and
75 reduced lunch program, and the percentage of first time recipients of
76 educational scholarships who were continuously enrolled in a public
77 school during the previous year.

1 SECTION 4. A.) The Department shall adopt rules and proce-
2 dures consistent with this act as necessary to implement the pro-
3 gram.

4 B.) The Department shall provide a standardized format for a
5 receipt to be issued by a scholarship granting organization to a tax-
6 payer to indicate the value of a contribution received. The

7 department shall require a tax payer to provide a copy of this receipt
8 when claiming the Great Schools Tax Credit.

9 C.) The Department shall provide a standardized format for schol-
10 arship granting organizations to report the information in section 4
11 (C.) above.

12 D.) The Department shall have the authority to conduct either a
13 financial review or audit of a student support organization if pos-
14 sessed evidence of fraud.

15 E.) The Department may bar a scholarship granting organization
16 from participating in the program if the Department established that
17 the scholarship granting organization has intentionally and substan-
18 tially failed to comply with the requirements in Section 4.

19 F.) If the Department decides to bar a scholarship granting organi-
20 zation from the program, it shall notify affected scholarship students
21 and their parents of this decision as quickly as possible.

22 G.) The Department shall allow a taxpayer to divert a prorated
23 amount of state income tax withholdings to a scholarship granting
24 organization of the taxpayer's choice up to the maximum credit
25 allowed by law, including carry-over credits. The Department shall
26 have the authority to develop a procedure to facilitate this process.

1 SECTION 5. A.) all qualified schools shall be required to operate
2 in our state.

3 B.) All qualified schools shall comply with all state laws that
4 apply to non-public schools regarding criminal background checks
5 for employees and exclude from employment any people not per-
6 mitted by state law to work in a non-public school.