

House Engrossed

STOs; scholarships; corporate tax credits

State of Arizona
House of Representatives
Fifty-sixth Legislature
First Regular Session
2023

HOUSE BILL 2014

AN ACT

AMENDING SECTIONS 43-1184 AND 43-1505, ARIZONA REVISED STATUTES; RELATING
TO SCHOOL TUITION ORGANIZATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1184, Arizona Revised Statutes, is amended to
3 read:

4 43-1184. Credit for contributions to school tuition
5 organization; displaced students; students with
6 disabilities

7 A. Beginning from and after June 30, 2009, a credit is allowed
8 against the taxes imposed by this title for the amount of voluntary cash
9 contributions made by the taxpayer during the taxable year to a school
10 tuition organization that is certified pursuant to chapter 15 of this
11 title at the time of donation.

12 B. The amount of the credit is the total amount of the taxpayer's
13 contributions for the taxable year under subsection A of this section and
14 is preapproved by the department of revenue pursuant to subsection D of
15 this section.

16 C. The department of revenue:

17 1. Shall not allow tax credits under this section and section
18 20-224.07 that exceed in the aggregate a combined total of \$5,000,000 in
19 any fiscal year through fiscal year 2020-2021. Beginning in fiscal year
20 2021-2022, the aggregate dollar amount of the tax credits allowed **IN EACH**
21 **FISCAL YEAR** is **AS FOLLOWS**:

22 (a) **FOR FISCAL YEAR 2021-2022, \$6,000,000** ~~in any fiscal year.~~

23 (b) **FOR FISCAL YEAR 2022-2023, \$10,000,000.**

24 (c) **FOR FISCAL YEAR 2023-2024, \$15,000,000.**

25 (d) **FOR FISCAL YEAR 2024-2025 AND EACH FISCAL YEAR THEREAFTER,**
26 **\$20,000,000.**

27 2. Shall preapprove tax credits under this section and section
28 20-224.07 subject to subsection D of this section.

29 3. Shall allow the tax credits under this section and section
30 20-224.07 on a first-come, first-served basis.

31 D. For the purposes of subsection C, paragraph 2 of this section,
32 before making a contribution to a school tuition organization, the
33 taxpayer under this title or title 20 must notify the school tuition
34 organization of the total amount of contributions that the taxpayer
35 intends to make to the school tuition organization. Before accepting the
36 contribution, the school tuition organization shall request preapproval
37 from the department of revenue for the taxpayer's intended contribution
38 amount. The department of revenue shall preapprove or deny the requested
39 amount within twenty days after receiving the request from the school
40 tuition organization. If the department of revenue preapproves the
41 request, the school tuition organization shall immediately notify the
42 taxpayer that the requested amount was preapproved by the department of
43 revenue. In order to receive a tax credit under this subsection, the
44 taxpayer shall make the contribution to the school tuition organization
45 within twenty days after receiving notice from the school tuition

1 organization that the requested amount was preapproved. If the school
2 tuition organization does not receive the preapproved contribution from
3 the taxpayer within the required twenty days, the school tuition
4 organization shall immediately notify the department of revenue and the
5 department shall no longer include this preapproved contribution amount
6 when calculating the limit prescribed in subsection C, paragraph 1 of this
7 section.

8 E. If the allowable tax credit exceeds the taxes otherwise due
9 under this title on the claimant's income, or if there are no taxes due
10 under this title, the taxpayer may carry the amount of the claim not used
11 to offset the taxes under this title forward for not more than five
12 consecutive taxable years' income tax liability.

13 F. Co-owners of a business, including corporate partners in a
14 partnership and stockholders of an S corporation as defined in section
15 1361 of the internal revenue code, may each claim only the pro rata share
16 of the credit allowed under this section based on the ownership interest.
17 The total of the credits allowed all such owners may not exceed the amount
18 that would have been allowed a sole owner.

19 G. The credit allowed by this section is in lieu of any deduction
20 pursuant to section 170 of the internal revenue code and taken for state
21 tax purposes.

22 H. A taxpayer shall not claim a credit under this section and also
23 under section 43-1183 with respect to the same contribution.

24 I. The tax credit is not allowed if the taxpayer designates the
25 taxpayer's contribution to the school tuition organization for the direct
26 benefit of any specific student.

27 J. The department of revenue shall adopt rules necessary to
28 administer this section.

29 Sec. 2. Section 43-1505, Arizona Revised Statutes, is amended to
30 read:

31 43-1505. Special provisions: corporate donations for
32 displaced students and students with disabilities:
33 definition

34 A. A school tuition organization that receives contributions for
35 the purposes of section 20-224.07 or 43-1184 must use at least ninety ~~per~~
36 ~~cent~~ PERCENT of those contributions to provide educational scholarships or
37 tuition grants to qualified students.

38 B. The amount of an educational scholarship or ~~a~~ tuition grant
39 that is issued by a school tuition organization under this section shall
40 not exceed the ~~cost of tuition for the student to attend the qualified~~
41 ~~school or ninety per cent of the~~ amount of state aid that otherwise would
42 be computed for the student as provided in title 15, chapter 9, article
43 5, ~~whichever is less~~. On request from a school tuition organization, the
44 department of education shall provide to the school tuition organization
45 in a timely manner the amount computed for the student ~~under this~~

1 ~~subsection that represents the ninety per cent limitation prescribed in~~
2 ~~this subsection~~ AS PROVIDED IN TITLE 15, CHAPTER 9, ARTICLE 5.

3 C. A school tuition organization shall require that student
4 beneficiaries use the educational scholarships or tuition grants on a
5 full-time basis. If a child leaves the school before completing an entire
6 school year, the school shall refund a prorated amount of the educational
7 scholarship or tuition grant to the school tuition organization that
8 issued the scholarship or grant. The school tuition organization shall
9 allocate any refunds it receives under this subsection for educational
10 scholarships or tuition grants.

11 D. Qualified students who receive an educational scholarship or
12 tuition grant under this section shall be allowed to attend any qualified
13 school of their custodians' choice.

14 E. For the purposes of this section, "qualified student" means a
15 student, including a student who previously qualified for an educational
16 scholarship or tuition grant under this section and continues to attend a
17 qualified school, who has been either:

18 1. Placed in foster care pursuant to title 8, chapter 4 at any time
19 before the student graduates from high school or obtains a general
20 equivalency diploma.

21 2. Identified as having a disability under section 504 of the
22 rehabilitation act (29 United States Code section 794) or identified at
23 any time by a school district as a child with a disability as defined in
24 section 15-761 or a child with a disability who is eligible to receive
25 services from a school district under section 15-763.