

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6286**

**BILL NUMBER:** SB 126

**NOTE PREPARED:** Dec 11, 2010

**BILL AMENDED:**

**SUBJECT:** Public Education Donation Tax Credit.

**FIRST AUTHOR:** Sen. Simpson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides for an Adjusted Gross Income (AGI) tax credit for charitable donations to a charitable organization or educational foundation that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and organized and operated solely for the benefit of a public elementary school or public high school located in Indiana. It provides that the maximum individual taxpayer credit is \$1,000 in the case of a single return or \$2,000 in the case of a joint return. The bill also provides that the maximum corporate taxpayer credit is the greater of 10% of the corporation's total adjusted gross income tax liability or \$10,000, and it makes the credit refundable.

**Effective Date:** January 1, 2012.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the new tax credit. The DOR's current level of resources should be sufficient to implement the new tax credit.

**Explanation of State Revenues:** *Summary* - This bill provides an AGI tax credit to individuals and corporations that give charitable donations to corporations or foundations operating for the benefit of Indiana public K-12 schools beginning in tax year 2012, and will decrease tax revenue to the General Fund by an indeterminable amount. The income tax credit for tax years beginning January 1, 2012, is limited to 50% of the charitable contributions or a maximum of \$1,000 for a single taxpayer or \$2,000 for taxpayers filing a joint return. The tax credit is limited to the greater of 10% of a corporation's AGI tax or \$10,000. If the credit exceeds the taxpayer's tax liability, the excess will be refunded.

Background Information - Contributions to public schools for FY 2005 to FY 2010 are provided in the table below.

<b>Fiscal Year</b>	<b>Total Contributions</b>
FY 2005	\$19.9 M
FY 2006	\$27.3 M
FY 2007	\$19.8 M
FY 2008	\$31.7 M
FY 2009	\$36.0 M
FY 2010	\$37.9 M

Total contributions for FY 2005 to FY 2010 provide an average annual increase of about 14% in contributions. It is not known how many individuals or corporations made contributions which would be above the maximum allowable credit.

This tax credit is applicable to tax years beginning January 1, 2012, and so the impact would commence in FY 2013. Revenue collected from the AGI tax on individuals and corporations is deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOR.

**Local Agencies Affected:**

**Information Sources:** Ashley Gibson, Indiana Department of Education, 317-232-6618.

**Fiscal Analyst:** Jessica Harmon, 317-232-9854.