

Senate Engrossed House Bill

**FILED**

**MICHELE REAGAN  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-second Legislature  
First Regular Session  
2015

CHAPTER 217

# **HOUSE BILL 2483**

AN ACT

AMENDING SECTIONS 43-1089.01, 43-1503, 43-1506 AND 43-1603, ARIZONA REVISED  
STATUTES; RELATING TO SCHOOL TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 43-1089.01, Arizona Revised Statutes, is amended to  
3 read:

4 43-1089.01. Tax credit; public school fees and contributions;  
5 definitions

6 A. A credit is allowed against the taxes imposed by this title for the  
7 amount of any fees or cash contributions by a taxpayer or on the taxpayer's  
8 behalf pursuant to section 43-401, subsection G during the taxable year to a  
9 public school located in this state for the support of extracurricular  
10 activities or character education programs of the public school, but not  
11 exceeding:

12 1. Two hundred dollars for a single individual or a head of household.

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

15 3. Four hundred dollars in taxable year 2006 and any subsequent  
16 taxable year for a married couple filing a joint return.

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

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

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

28 E. The site council of the public school that receives contributions  
29 that are not designated for a specific purpose shall determine how the  
30 contributions are used at the school site. If a charter school does not have  
31 a site council, the principal, director or chief administrator of the charter  
32 school shall determine how the contributions that are not designated for a  
33 specific purpose are used at the school site. If at the end of a fiscal year  
34 a public school has unspent contributions that were previously designated for  
35 a specific purpose or program and that purpose or program has been  
36 discontinued or has not been used for two consecutive fiscal years, these  
37 contributions shall be considered undesignated in the following fiscal year  
38 for the purposes of this subsection.

39 F. A public school that receives fees or a cash contribution pursuant  
40 to subsection A of this section shall report to the department, in a form  
41 prescribed by the department, by February 28 of each year the following  
42 information:

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

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

3           3. The total dollar amount of fees and contributions spent by the  
4 school during the previous calendar year, categorized by specific  
5 extracurricular activity or character education program.

6           G. FOR THE PURPOSES OF THIS SECTION, A CONTRIBUTION FOR WHICH A CREDIT  
7 IS CLAIMED AND THAT IS MADE ON OR BEFORE THE FIFTEENTH DAY OF THE FOURTH  
8 MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR MAY BE APPLIED TO EITHER THE  
9 CURRENT OR PRECEDING TAXABLE YEAR AND IS CONSIDERED TO HAVE BEEN MADE ON THE  
10 LAST DAY OF THAT TAXABLE YEAR.

11          ~~G.~~ H. For the purposes of this section:

12           1. "Character education programs" means a program described in section  
13 15-719.

14           2. "Extracurricular activities" means school-sponsored activities that  
15 require enrolled students to pay a fee in order to participate, including  
16 fees for:

17           (a) Band uniforms.

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

19           (c) Scientific laboratory materials.

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

23           3. "Public school" means a school that is part of a school district, a  
24 joint technical education district or a charter school.

25          Sec. 2. Section 43-1503, Arizona Revised Statutes, is amended to read:  
26 43-1503. Operational requirements for school tuition  
27 organizations

28           A. A certified school tuition organization must be established to  
29 receive contributions from taxpayers for the purposes of income tax credits  
30 under sections 43-1183 and 43-1184 and insurance premium tax credits under  
31 sections 20-224.06 and 20-224.07 and to pay educational scholarships or  
32 tuition grants to allow students to attend any qualified school of their  
33 parents' or custodians' choice.

34           B. To be eligible for certification and retain certification, the  
35 school tuition organization:

36           1. Must allocate at least ninety ~~per-cent~~ PERCENT of its annual  
37 revenue from contributions made for the purposes of sections 20-224.06,  
38 20-224.07, 43-1183 and 43-1184 for educational scholarships or tuition  
39 grants.

40           2. Shall not limit the availability of educational scholarships or  
41 tuition grants to only students of one school.

42           3. Must allow the department of revenue to verify that the educational  
43 scholarships and tuition grants that are issued are awarded to students who  
44 attend a qualified school.

1           4. Must not knowingly collude with any other school tuition  
2 organization to circumvent the limits of section 43-1504, subsection C.

3           5. SHALL INCLUDE ON THE ORGANIZATION'S WEBSITE, IF ONE EXISTS, THE  
4 PERCENTAGE AND TOTAL DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS AND TUITION  
5 GRANTS AWARDED DURING THE PREVIOUS FISCAL YEAR TO:

6           (a) STUDENTS WHOSE FAMILY INCOME MEETS THE ECONOMIC ELIGIBILITY  
7 REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION  
8 ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR  
9 REDUCED-PRICE LUNCHES.

10           (b) STUDENTS WHOSE FAMILY INCOME EXCEEDS THE THRESHOLD PRESCRIBED BY  
11 SUBDIVISION (a) OF THIS PARAGRAPH BUT DOES NOT EXCEED ONE HUNDRED EIGHTY-FIVE  
12 PERCENT OF THE ECONOMIC ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE  
13 NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE  
14 SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES.

15           Sec. 3. Section 43-1506, Arizona Revised Statutes, is amended to read:

16           43-1506. Annual report

17           On or before September 30 of each year, each school tuition  
18 organization shall report electronically to the department, in a form  
19 prescribed by the department, the following information, separately compiled  
20 and identified for the purposes of sections 20-224.06, 20-224.07, 43-1183 and  
21 43-1184:

22           1. The name, address and contact person of the school tuition  
23 organization.

24           2. The total number of contributions received during the previous  
25 fiscal year.

26           3. The total dollar amount of contributions received during the  
27 previous fiscal year.

28           4. The total number of children awarded educational scholarships or  
29 tuition grants during the previous fiscal year.

30           5. The total dollar amount of:

31           (a) Educational scholarships and tuition grants distributed during the  
32 previous fiscal year.

33           (b) Money being held for identified students' scholarships and tuition  
34 grants in future years.

35           6. The cost of audits pursuant to section 43-1507 paid during the  
36 fiscal year.

37           7. THE PERCENTAGE AND TOTAL DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS  
38 AND TUITION GRANTS AWARDED DURING THE PREVIOUS FISCAL YEAR TO:

39           (a) STUDENTS WHOSE FAMILY INCOME MEETS THE ECONOMIC ELIGIBILITY  
40 REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION  
41 ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR  
42 REDUCED-PRICE LUNCHES.

43           (b) STUDENTS WHOSE FAMILY INCOME EXCEEDS THE THRESHOLD PRESCRIBED BY  
44 SUBDIVISION (a) OF THIS PARAGRAPH BUT DOES NOT EXCEED ONE HUNDRED EIGHTY-FIVE  
45 PERCENT OF THE ECONOMIC ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE

1 NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE  
2 SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES.

3 ~~7.~~ 8. For each school to which educational scholarships or tuition  
4 grants were awarded:

5 (a) The name and address of the school.

6 (b) The number of educational scholarships and tuition grants awarded  
7 during the previous fiscal year.

8 (c) The total dollar amount of educational scholarships and tuition  
9 grants awarded during the previous fiscal year.

10 ~~8.~~ 9. The names, job titles and annual salaries of the three  
11 employees who receive the highest annual salaries from the school tuition  
12 organization.

13 Sec. 4. Section 43-1603, Arizona Revised Statutes, is amended to read:

14 43-1603. Operational requirements for school tuition  
15 organizations; notice; qualified schools

16 A. A certified school tuition organization must be established to  
17 receive contributions from taxpayers for the purposes of income tax credits  
18 under sections 43-1089 and 43-1089.03 and to pay educational scholarships or  
19 tuition grants to allow students to attend any qualified school of their  
20 parents' choice.

21 B. To be eligible for certification and retain certification, the  
22 school tuition organization:

23 1. Must allocate at least ninety ~~per cent~~ PERCENT of its annual  
24 revenue from contributions made for the purposes of sections 43-1089 and  
25 43-1089.03 for educational scholarships or tuition grants.

26 2. Shall not limit the availability of educational scholarships or  
27 tuition grants to only students of one school.

28 3. May allow donors to recommend student beneficiaries, but shall not  
29 award, designate or reserve scholarships solely on the basis of donor  
30 recommendations.

31 4. Shall not allow donors to designate student beneficiaries as a  
32 condition of any contribution to the organization, or facilitate, encourage  
33 or knowingly permit the exchange of beneficiary student designations in  
34 violation of section 43-1089, subsection F.

35 5. SHALL INCLUDE ON THE ORGANIZATION'S WEBSITE, IF ONE EXISTS, THE  
36 PERCENTAGE AND TOTAL DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS AND TUITION  
37 GRANTS AWARDED DURING THE PREVIOUS FISCAL YEAR TO:

38 (a) STUDENTS WHOSE FAMILY INCOME MEETS THE ECONOMIC ELIGIBILITY  
39 REQUIREMENTS ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION  
40 ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR  
41 REDUCED-PRICE LUNCHES.

42 (b) STUDENTS WHOSE FAMILY INCOME EXCEEDS THE THRESHOLD PRESCRIBED BY  
43 SUBDIVISION (a) OF THIS PARAGRAPH BUT DOES NOT EXCEED ONE HUNDRED EIGHTY-FIVE  
44 PERCENT OF THE ECONOMIC ELIGIBILITY REQUIREMENTS ESTABLISHED UNDER THE

1 NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE  
2 SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES.

3 C. A school tuition organization shall include the following notice in  
4 any printed materials soliciting donations, in applications for scholarships  
5 and on its website, IF ONE EXISTS:

6 Notice

7 A school tuition organization cannot award, restrict or  
8 reserve scholarships solely on the basis of a donor's  
9 recommendation.

10 A taxpayer may not claim a tax credit if the taxpayer  
11 agrees to swap donations with another taxpayer to benefit either  
12 taxpayer's own dependent.

13 D. In evaluating applications and awarding, designating or reserving  
14 scholarships, a school tuition organization:

15 1. Shall not award, designate or reserve a scholarship solely on the  
16 recommendation of any person contributing money to the organization, but may  
17 consider the recommendation among other factors.

18 2. Shall consider the financial need of applicants.

19 E. A taxpayer's contribution to a school tuition organization that  
20 exceeds the amount of the credit allowed by section 43-1089 but does not  
21 exceed the amount of the credit allowed by section 43-1089.03 is considered a  
22 contribution pursuant to section 43-1089.03. A school tuition organization  
23 must use at least ninety ~~per cent~~ PERCENT of contributions made pursuant to  
24 section 43-1089.03 for educational scholarships or tuition grants for  
25 students to whom any of the following applies:

26 1. Attended a governmental primary or secondary school as a full-time  
27 student as defined in section 15-901 or attended a preschool program that  
28 offers services to students with disabilities at a governmental school for at  
29 least ninety days of the prior fiscal year and transferred from a  
30 governmental school to a qualified school.

31 2. Enrolls in a qualified school in a kindergarten program or a  
32 preschool program that offers services to students with disabilities.

33 3. Is the dependent of a member of the armed forces of the United  
34 States who is stationed in this state pursuant to military orders.

35 4. Received an educational scholarship or tuition grant under  
36 paragraph 1, 2 or 3 of this subsection or under chapter 15 of this title if  
37 the student continues to attend a qualified school in a subsequent year.

38 F. In awarding educational scholarships or tuition grants from  
39 contributions made pursuant to section 43-1089.03, a school tuition  
40 organization shall give priority to students and siblings of students on a  
41 waiting list for scholarships if the school tuition organization maintains a  
42 waiting list.

1           G. If an individual educational scholarship or tuition grant exceeds  
2 the school's tuition, the amount in excess shall be returned to the school  
3 tuition organization that made the award or grant. The school tuition  
4 organization may allocate the returned monies as a multiyear award for that  
5 student and report the award pursuant to section 43-1604, paragraph 5,  
6 subdivision (b) or may allocate the returned monies for educational  
7 scholarships or tuition grants for other students.

APPROVED BY THE GOVERNOR APRIL 6, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 7, 2015.

Passed the House March 12, 2015

by the following vote: 35 Ayes,

23 Nays, 2 Not Voting

[Signature]  
Speaker of the House

Pro Tempore

[Signature]  
Chief Clerk of the House

Passed the Senate March 30, 2015

by the following vote: 17 Ayes,

12 Nays, 1 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

~~This Bill received by the Governor this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Secretary to the Governor~~

Approved this \_\_\_\_\_ day of \_\_\_\_\_  
\_\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

~~This Bill received by the Secretary of State  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Secretary of State~~

H.B. 2483

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

March 31, 2015,

by the following vote: 41 Ayes,

19 Nays, 0 Not Voting

[Signature]

Speaker of the House

[Signature]

Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this  
31<sup>st</sup> day of March, 2015,

at 3:16 o'clock P. M.

[Signature]  
Secretary to the Governor

Approved this 6<sup>th</sup> day of

April, 2015,

at 1:03 o'clock P. M.

[Signature]  
Governor of Arizona

H.B. 2483

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State  
this 7<sup>th</sup> day of April, 2015,

at 8:30 o'clock A. M.

[Signature]  
Secretary of State