



LEGISLATIVE BRIEF

New York Education Tax Credit Legislation

Gov. Cuomo's *Parental Choice in Education Act* (Program Bill No. 2), New York State Assembly Bill No. 2551 and Senate Bill No. 1976

May 2015 Update

Bill Status & Sponsorship

New York has the opportunity to join 16 other states with a smart and proven way to encourage investment in education – helping children, parents and teachers – without asking homeowners to pay a nickel more in local property taxes. The Education Tax Credit would encourage investment in New York public education and scholarships.

Governor Andrew Cuomo proposed a version of the Education Tax Credit in the 2015-16 Executive Budget. Despite an aggressive effort from a diverse coalition of nearly 150 non-profit organizations and labor unions supporting the plan, the adopted 2015-16 State Budget did not include the Education Tax Credit. Gov. Andrew Cuomo has intensified his commitment to push the issue in the regular session that runs through June 2015 by proposing and campaigning for the *Parental Choice in Education Act*. Gov. Cuomo's plan would provide \$150 million in tax credits for education, including tax credits for donations to public education and scholarship organizations.

A Senate version of the Education Tax Credit was passed in the New York State Senate in January 2015 by a vote of 44-16, with support from the leaders of the Republican Conference, the Independent Democratic Conference, and the regular Democratic Conference.

The State Assembly also has proposed – but has not yet passed – very similar legislation, which is supported by a majority of Assembly members, including a majority of the Democrats. Assembly Speaker Carl Heastie was a co-sponsor of the bill for the three years prior to becoming Speaker in early February 2015.

Of the proposed \$300 million in tax credits in the Senate and Assembly versions of the bill, at least half would be set aside to increase charitable donations for public education and teachers.

How the Education Tax Credit Benefits New York Students

The Education Tax Credit would generate \$150 million (as proposed by Gov. Cuomo) or \$300 million (as proposed in the NYS Assembly and Senate versions of the bill) annually in tax credits for education in New York. The plan would encourage greater charitable donations for public education and non-profit scholarship organizations providing K-12 scholarships for students enrolling in private schools or non-resident public schools.

Public School Beneficiaries

The Education Tax Credit would create additional revenue for public education without requiring property tax increases. Eligible donations benefitting public school students would include those made to public schools, school districts, and non-profit community-based organizations providing educational programming for public school students, including pre-kindergarten, visual arts, music, tutoring, and college and career readiness, among others.

The Education Tax Credit would further generate funding for New York public schools by encouraging charitable giving to directly fund specific classroom projects that educators list on the DonorsChoose.org website. From 2003 to 2014, Donors Choose (<http://www.donorschoose.org/about/impact.html#NY>) generated \$34 million in charitable donations directly benefitting 1.4 million students in nearly 3,500 schools in New York State.

Public schools would further benefit from the plan by providing public school teachers and instructional personnel an annual tax credit valued at up to \$200 to reimburse them for out-of-pocket expenses for the purchase of classroom supplies and materials. According to a survey conducted by the Education Market Association (<http://www.investined.org/blog/teachers-deserve-to-be-reimbursed-for-out-of-pocket-classroom-expenses>), teachers spend an average of nearly \$500 annually on classroom supplies and instructional material. The Education Tax Credit would help alleviate some of the financial burden placed on teachers for classroom supplies.

Scholarship Beneficiaries

Encouraging charitable donations to non-profit scholarship organizations would make tuition more affordable for low-income and working families unable to afford it or struggling to continue to afford it. Students would be able to use the scholarships to attend the private, parochial, or non-resident public schools that best meet their needs.

According to the State Education Department (www.p12.nysed.gov/irs/statistics/nonpublic), more than 130 private schools in New York State closed in the five-year period from 2009 to 2014, leaving the families of nearly 40,000 students scrambling for alternative options. In many communities, the sudden influx of additional students transferring from closing private schools to public schools creates new financial challenges and increases class sizes.

How the Bill Works

Currently, donors to public schools or non-profit scholarship organizations receive a tax “deduction” which provides modest tax savings for each dollar donated, depending on a donor’s tax bracket. The Education Tax Credit, in contrast, would create a greater incentive for donations by offering a tax credit equal to a share (75 percent in the versions of the plan proposed by Gov. Cuomo and the State Assembly or 90 percent in Senate version of the plan) of the value of charitable donations that would offset New York personal income and corporate franchise taxes for donations to approved education-related entities.

The plan would work by requiring a potential donor to send a brief form to the state tax department during the first month of the tax year (January) asking for pre-approval of a tax credit for their proposed donation. The tax department would verify the proposed donation is going to an approved entity serving public school students or scholarship organization and that the donation does not exceed donation limits. The tax department will keep a running tally of approved tax credits to ensure that the amount awarded doesn’t go above the statewide financial cap each tax year. If pledged donations exceed the cap, credits would be awarded on a pro-rata (rather than first-come-first-serve) basis to ensure a maximum number of donors can participate. At tax time, donor would claim their approved tax credits against their income or corporate franchise taxes.

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ABOUT THE FOUNDATION FOR OPPORTUNITY IN EDUCATION

The Foundation for Educational Opportunity is an independent nonprofit, nonpartisan education policy think tank dedicated to ensuring that every child has the opportunity for a high-quality education. The Foundation is working to improve and strengthen education in New York through its policy research to benefit all children.

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