



## LEGISLATIVE BRIEF NEW YORK EDUCATION TAX CREDIT LEGISLATION

### Governor Andrew Cuomo's "Parental Choice in Education Act"

(2016-17 Executive Budget, Part S of Senate Bill No. 6409-A/Assembly Bill No. 9009-A),  
Assembly Bill No. 2551-A, and Senate Bill No. 1976-A

#### **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 students, 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 by encouraging charitable donations.

#### **GOVERNOR'S PLAN**

Governor Andrew Cuomo has publicly supported an education tax credit since 2014, which included proposing the "Parental Choice in Education Act" in 2015 and a strong effort to pass the bill by campaigning for it across the state. Most recently, Gov. Cuomo included a version of the Education Tax Credit in the 2016-17 Executive Budget (Part S of S.6409-A/A.9009-A) released in January 2016. Gov. Cuomo's education tax credit would generate up to \$67 million annually in new PK-12 scholarship funds for children from low-income and middle-income households to attend an independent or parochial school.

The governor's proposal also includes tax credits to encourage up to \$27 million annually in charitable donations for public education, including public schools, school districts and not-for-profit entities that provide educational services, including after-school and pre-kindergarten programs; \$10 million in tax credits to reimburse teachers for up to \$200 annually for out-of-pocket expenses for classroom supplies and materials; and \$70 million annually for tuition tax credits valued at \$500 per student for parents to offset tuition expenses for their children.

#### **SENATE PLAN**

The New York State Senate passed a version of the Education Tax Credit (S.1976-A) by a bipartisan vote of 47-to-15 in January 2016. The bipartisan Senate bill is co-sponsored by 21 Democrats and Republicans, including co-lead sponsors Sen. Martin Golden

(Republican) and Sen. Simcha Felder (Democrat), both of Brooklyn. The Senate version of the Education Tax Credit would initially generate up to \$83 million in new scholarship money for children from low-income and middle-income families, growing to an annual amount of up to \$167 million.

Additionally, up to \$167 million in funds would be generated for public education and non-profit entities providing public educational programming.

#### **ASSEMBLY PLAN**

Members of the State Assembly also proposed very similar legislation (A.2551-A), which has significant bi-partisan support, but has not been voted upon. The bill's lead sponsors are Assemblymen Michael Cusick from Staten Island and Marcos Crespo from the Bronx. Assembly Speaker Carl Heastie was a co-sponsor of the bill for the three years prior to becoming Speaker in early February 2015.

The Assembly version of the Education Tax Credit would provide up to \$100 million annually in new scholarship money for children from low-income and middle-income families in its first year, growing to an annual amount of up to \$200 million by its third year and thereafter. The Assembly plan would also generate up to \$100 million for public education and non-profit entities providing public educational programming in its first year, growing to an amount of up to \$200 million annually by its third year.

#### **HOW THE EDUCATION TAX CREDIT BENEFITS NEW YORK STUDENTS**

The Education Tax Credit would encourage greater charitable donations for public education and non-profit scholarship organizations providing PK-12 scholarships for students enrolling in private schools or non-resident public schools.

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### 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.

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, 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 middle-income families. 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, 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 closed private schools to public schools creates new financial challenges and increase public school class sizes.

### HOW THE BILL WORKS

Currently, donors to public schools or non-profit scholarship organizations receive a tax deduction, which lowers the amount of taxable income by a share of the donation amount and 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 to approved education entities by offering a tax credit, which would reduce the amount of personal income or corporate taxes owed by a percentage of the donation amount. The Governor's and Assembly proposals provide a 75 percent tax credit; the Senate version provides a 90 percent credit.

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) requesting 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 a scholarship organization, and that the donation does not exceed donation limits. At tax time, donor would claim their approved tax credits against their income or corporate franchise taxes owed.



Invest in  
Education  
Foundation

Invest In Education Foundation  
26 Century Hill Drive, Suite 203  
Latham, NY 12110 • tel. (518) 640-8344

[www.opportunityined.org](http://www.opportunityined.org)  
[info@opportunityined.org](mailto:info@opportunityined.org)

### ABOUT THE INVEST IN EDUCATION FOUNDATION

The Invest in Education Foundation is a research and policy not-for-profit 501(C)(3) and publicly-supported organization with a mission of promoting improvement in K-12 education, increasing educational choice, and working to close gaps in educational achievement. Our work is focused on New York State and our activities include research and events to educate the public and advocacy (under the "h" election) in support of legislation consistent with our mission.

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