

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	HB1935
Version:	CCSB
Request Number:	8328
Author:	McCall
Date:	4/26/2023
Impact:	Analysis Below

Research Analysis

The Conference Committee Substitute for HB 1935 creates the Parental Choice Tax Credit Act which provides an income tax credit to a student's parent or guardian for qualified educational expenses. Qualified expenses include tuition and fees to a private school or nonpublic online learning program, tutoring services, instructional materials, college admission tests, advanced placement exams, and tuition and fees for concurrent enrollment. Any student who is eligible to enroll in a public school can qualify for the tax credit, but the student may not be enrolled in a public school full-time and receive a tax credit.

The tax credit for students attending an accredited private school is capped at \$5,000 per student for the 2023 tax year, \$6,000 per student for the 2024 tax year, and \$6,500 per student for the 2025 tax year and each tax year thereafter. If the tuition and fees are less than the maximum tax credit amount, the credit shall be limited to the cost of tuition and fees. The tax credit for students educated by other means is capped at \$1,000 per student, per year.

The conference committee substitute caps the total amount of credits that can be distributed to \$200 million for tax year 2023 and tax year 2024. If total tax credits exceed the cap in either year, the tax credits will be prioritized for families making less than \$250,000 annually. Beginning with the 2025 tax year, there is no limitation on the annual amount of credits.

The Oklahoma Tax Commission will create forms for claiming such credits. A parent or guardian must retain all receipts of qualified expenses. A parent or guardian can request the credit amount be advanced in two installments of not more than half of the total amount authorized. If approved for the advance, the parent will be paid within 60 days. The Tax Commission is authorized to audit receipts of educational expenses, and recapture any credits if it finds the expenses or the student did not properly qualify.

Any year the amount of money appropriated for the financial support of public schools falls below the amount of money appropriated in Fiscal Year 2024, the tax credits shall be suspended until appropriations again exceed FY2024 levels. If there is a revenue failure the tax credits shall be reduced proportionately to the revenue reduction experienced by the State Board of Education.

Lastly, the measure creates the Oklahoma Student Fund Revolving Fund, which will be used to distribute funding to districts on a weighted average daily membership basis. No district shall receive more than \$2 million per year from the fund.

Districts may use the money from the Fund to pay for:

- Salaries for support staff and certified school personnel, excluding superintendents;

- STEM programs;
- Instructional materials and other classroom supplies;
- Computer hardware;
- Maintenance and operations, and increasing classroom capacity;
- Summer education programs;
- Fees for standardized assessments;
- Student support services; and
- Concurrent enrollment.

Prepared By: Emily Byrne

Fiscal Analysis

In its current form, HB1935 allows a tax credit for any Oklahoma taxpayer who incurs a qualified expense on behalf of an eligible student. The individual tax credit is capped at \$5,000 in tax year 2023, \$6,000 in tax year 2024, and \$6,500 in tax year 2025 and each subsequent year. The annual amount of credits is limited to \$200,000,000 in tax years 2023 and 2024. For tax year 2024 and subsequent years, there is no cap on the annual amount of credits.

The measure establishes the Oklahoma Student Fund within the Oklahoma State Department of Education. This revolving fund shall be distributed to public school districts up to \$2,000,000 each fiscal year, based on the previous school years weighted average daily membership.

The total revenue impact of this measure is not to exceed \$200,000,000 in the first two years following its enactment. The calculation of the total impact of this measure would require long range forecasting and a high degree of speculation.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.