

Senate Bill 500

Sponsored by Senator CLOSE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Creates tax credits for educational expenses or for contributions to qualified scholarship granting organization.

Applies to tax years beginning on or after January 1, 2015.

Takes effect only if Senate Joint Resolution 23 (2013) is approved by people at next regular general election. Takes effect on effective date of constitutional amendment proposed in Senate Joint Resolution 23 (2013).

A BILL FOR AN ACT

1
2 Relating to tax credits for educational expenses; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 and 3 of this 2013 Act are added to and made a part of ORS**
5 **chapter 315.**

6 **SECTION 2. As used in this section and section 3 of this 2013 Act:**

7 (1)(a) **"Educational expenses" means expenses paid in furtherance of educating an eligible**
8 **student in a public school or in a program that meets the requirements of ORS 339.030 (1)**
9 **for:**

10 (A) **Tuition and fees for educational services, including tutoring, whether delivered in**
11 **person or by electronic means.**

12 (B) **Transportation related to educational activities.**

13 (C) **Educational association memberships.**

14 (D) **Testing fees.**

15 (E) **Educational materials, including books, school supplies, academic lessons, instruc-**
16 **tional software and academic curricula.**

17 (b) **"Educational expenses" does not include fees or expenses for athletic activities.**

18 (2) **"Educational scholarship" means a grant from a scholarship granting organization to**
19 **an eligible student to cover part or all of the educational expenses of the eligible student.**

20 (3) **"Eligible student" means a student who:**

21 (a) **Is a resident of this state;**

22 (b) **Is five years of age or older but not more than 21 years of age; and**

23 (c) **Has not graduated from high school.**

24 (4) **"Parent" includes a guardian, custodian or other person with authority to act on be-**
25 **half of the student.**

26 (5) **"Scholarship granting organization" means an organization that:**

27 (a) **Receives donations from taxpayers;**

28 (b) **Gives educational scholarships to eligible students;**

29 (c) **Spends at least 90 percent of its donations on educational scholarships;**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (d) Spends all interest and proceeds from investments on educational scholarships; and

2 (e) Is recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code.

3 **SECTION 3.** (1) A credit against the taxes otherwise due under ORS chapter 316 shall be
4 allowed for educational expenses actually paid or incurred during the tax year on behalf of
5 an eligible student of whom the taxpayer is a parent. The amount of the credit allowed under
6 this subsection shall equal \$1,000 multiplied by the number of eligible students for whom the
7 taxpayer is claiming the credit.

8 (2) A credit against the taxes otherwise due under ORS chapter 316 (or, if the taxpayer
9 is a corporation, under ORS chapter 317 or 318) shall be allowed for contributions to a
10 scholarship granting organization made during the tax year. The credit allowed under this
11 subsection shall equal:

12 (a) In the case of a credit allowed against taxes imposed under ORS chapter 316, up to
13 \$1,000 of the taxpayer's contributions.

14 (b) In the case of a credit allowed against taxes imposed under ORS chapter 317 or 318,
15 up to \$10,000 of the taxpayer's contributions.

16 (3) The Department of Revenue shall adjust the credit limit amounts in subsections (1)
17 and (2) of this section according to the cost-of-living adjustment for the calendar year. The
18 department shall annually recompute the credit limit amounts for the current tax year by
19 multiplying each dollar amount by the percentage (if any) by which the monthly averaged
20 U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of
21 the prior calendar year exceeds the monthly averaged U.S. City Average Consumer Price
22 Index for the 12 consecutive months ending August 31, 2013.

23 (4) If a credit limit amount computed under subsections (1), (2) or (3) of this section is
24 not a multiple of \$50, the amount shall be rounded to the next lower multiple of \$50.

25 (5) A credit allowed under this section in any one tax year may not exceed the tax li-
26 ability of the taxpayer.

27 (6) A credit is not allowed if the taxpayer designates the taxpayer's contributions to a
28 scholarship granting organization for the direct benefit of any dependent of the taxpayer, or
29 if the taxpayer designates a student beneficiary as a condition of the taxpayer's contribution
30 to the scholarship granting organization. A credit is not allowed if the taxpayer, with the
31 intent to benefit the taxpayer's dependent, agrees with one or more taxpayers to designate
32 each taxpayer's contribution to the scholarship granting organization for the direct benefit
33 of the other taxpayer's dependent.

34 (7) Any tax credit otherwise allowable under this section that is not used by the taxpayer
35 in a particular year may be carried forward and offset against the taxpayer's tax liability for
36 the next succeeding tax year. Any credit remaining unused in the next succeeding tax year
37 may be carried forward and used in the second succeeding tax year, and likewise, any credit
38 not used in that second succeeding tax year may be carried forward and used in the third
39 succeeding tax year, but may not be carried forward for any tax year thereafter.

40 (8) In the case of a credit allowed under this section for purposes of ORS chapter 316:

41 (a) A nonresident shall be allowed the credit under this section in the proportion provided
42 in ORS 316.117.

43 (b) If a change in the status of a taxpayer from resident to nonresident or from nonres-
44 ident to resident occurs, the credit allowed by this section shall be determined in a manner
45 consistent with ORS 316.117.

1 (c) A husband and wife who file separate returns for a taxable year may each claim a
2 share of the tax credit that would have been allowed on a joint return in proportion to the
3 contribution of each.

4 (d) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or
5 if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the
6 credit allowed under this section shall be prorated or computed in a manner consistent with
7 ORS 314.085.

8 (9) The Department of Revenue shall adopt rules establishing policies and procedures for
9 certifying taxpayers as eligible for the credits allowed under subsections (1) and (2) of this
10 section.

11 **SECTION 4.** Sections 2 and 3 of this 2013 Act apply to tax years beginning on or after
12 January 1, 2015.

13 **SECTION 5.** This 2013 Act does not take effect unless the amendment to the Oregon
14 Constitution proposed by Senate Joint Resolution 23 (2013) is approved by the people at the
15 next regular general election held throughout this state. This 2013 Act takes effect on the
16 effective date of Senate Joint Resolution 23 (2013).

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