

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB294**

**Amendment Number: H1**

**Bill Subtitle: TO CREATE THE LEARNS ACT; TO AMEND VARIOUS PROVISIONS OF THE ARKANSAS CODE AS THEY RELATE TO EARLY CHILDHOOD THROUGH GRADE TWELVE (12) EDUCATION IN THE STATE OF ARKANSAS; TO DECLARE AN EMERGENCY; AND TO DECLARE AN EMERGENCY.**

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### Basic Change :

#### Sponsors:

**Sens. B. Davis, Hester, Irvin, J. Dismang, J. English, G. Stubblefield, Flippo, B. Johnson, D. Wallace, Hill, M. Johnson, K. Hammer, D. Sullivan, Gilmore, M. McKee, C. Penzo, J. Boyd, J. Petty, J. Bryant, Crowell, Stone, Dees, J. Payton, J. Dotson, and A. Clark**

**Reps. Brooks, M. Shepherd, McCollum, B. McKenzie, Pilkington, S. Meeks, Wardlaw, Eubanks, Cozart, Womack, C. Fite, Lundstrum, Bentley, Gonzales, Beck, K. Brown, Richmond, Fortner, Cavanaugh, Maddox, Barker, Rye, Hollowell, Watson, Lynch, Wing, Crawford, L. Johnson, C. Cooper, Breaux, Evans, McGrew, Ray, Beaty Jr., McClure, Milligan, Haak, John Carr, Underwood, Furman, G. Hodges, J. Moore, Achor, Burkes, Hawk, McAlindon, M. Brown, Rose, Puryear, Gramlich, Painter, Duffield, Unger, R. Scott Richardson, and Andrews**

SB294-H1 (engrossed H2/27/23) is a comprehensive education reform bill formally known as the "LEARNS Act." The LEARNS Act:

- Creates Educational Freedom Accounts;
- Provides new opportunities for students to receive tutoring;
- Implements career ready pathways to a high school diploma;
- Raises teacher pay; and
- Modifies the Philanthropic Investment in Arkansas Kids Program.

Money placed in the Educational Freedom Accounts follows the student based on the school the child is enrolled in and is to be used for the child's education. The money placed in the account and used for the child's education is not taxable in the state to either the parent or child. The money placed in the account also cannot be claimed as a tax credit, deduction, exemption, or rebate.

Act 904 of 2021 created the "Philanthropic Investment in Arkansas Kids Program Act." The Philanthropic Investment in Arkansas Kids Program provides educational scholarship grants for eligible students to attend nonpublic schools. The Act provides an income tax credit to individuals or businesses equal to 100% of contributions to scholarship-granting organizations that provide the grants. The credit may not exceed an eligible taxpayer's income tax due. Unused tax credits may be carried forward for three years.

SB294 increases the credits available in the first year from \$2,000,000 to \$6,000,000. Once the credits claimed exceed 90% of the total available in a particular year, SB294 requires the amount of the credit available to increase by 5% for each following year.

SB294 contains an emergency clause for the changes to the Philanthropic Investment in Arkansas Kids Program and will be effective on the date of its approval by the Governor; the expiration of the time during which the Governor may veto the bill; or the date the last house overrides the veto.

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### **Revenue Impact :**

**FY2023** - \$4 million General Revenue Reduction

**FY2024** - \$4.3 million General Revenue Reduction

[ Revenue Impact pertains only to Section 41 of the bill that pertains to an increase in the cap amount of tax credits available under the Philanthropic Investment in Arkansas Kids Program Act. Tax year 2023 fiscal impact is based on the \$4M increase to the PIAKP maximum tax credit and increased by 5% per a year after FY2023. ]

### **Taxpayer Impact :**

A taxpayer may contribute and receive tax credits up to an additional \$4 million dollars to the Philanthropic Investment in Arkansas Kids Program beginning on the effective date of SB294. The \$6 million annual cap of allowable tax credits may increase an additional 5% each year thereafter. A taxpayer will need to apply and submit contributions to Scholarship Granting Organizations and attach a receipt for contributions to their income tax return.

### **Resources Required :**

None.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Income tax forms and instructions will need to be updated. Scholarship Granting Organizations and the community will need to be educated. At the beginning of each calendar year, the Tax Credits/Special Refunds section of the Department of Finance and Administration will determine if awarded tax credits were equal to or greater than 90% of the maximum tax credit for that calendar year and increase the maximum tax credit for the following year by 5% and must certify the total amount of income tax credits that may be awarded in that calendar year.

### **Other Comments :**

None.

### **Legal Analysis :**

None.