

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2622.0

HB 1128, *relative to the definition of a scholarship organization for purposes of the education tax credit.*

Education

For Purposes of the Education Tax Credit, A Qualifying Scholarship Organization Shall Be Incorporated In The State Of NH

Under current Education Tax Credit (ETC) law, a scholarship organization means, among other requirements, a charitable organization incorporated or qualified to do business in the state. The ETC allows a business organization, business enterprise, or individual to make a money contributions (up to \$600,000) to approved scholarship organizations for which the business organization, business enterprise, or individual may claim a tax credit against their Business Profits Tax (BPT), Business Enterprise Tax (BET), or Interest and Dividends Tax (I&D) equal to 85% of their contribution. The aggregate amount of tax credits awarded in any given ETC program year is \$5.1 million. The ETC has a 5-year carryforward provision as it applies to the BPT and/or BET. However, there is no carryforward provision when it is applied to I&D. The tax credit may only be used to offset I&D tax liabilities incurred in the tax year in which the donation was made.

The revenue impact of the proposed legislation is indeterminable to the General and Education Trust funds. The 2023-2024 ETC program year only has one approved scholarship organization. That organization is incorporated outside of New Hampshire but is in good standing with the state. The passage of this proposed legislation would disqualify the current approved scholarship organization for the 2024-2025 ETC program year. This potential scenario will have a positive revenue impact on the BET, BPT, and I&D taxes if no other eligible scholarship organizations are approved.

The DRA would be responsible for updating all necessary program applications and material related to this bill. The proposed legislation would not result in any additional administrative costs that could not be absorbed in the DRA operating budget.

The effective date is July 1, 2024, impacting the program year beginning July 1, 2024 through June 30, 2025.