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## **OLR Bill Analysis**

### **sSB 652**

#### ***AN ACT ESTABLISHING A TAX CREDIT FOR DONATIONS TO THE ROBERTA B. WILLIS SCHOLARSHIP PROGRAM.***

#### **SUMMARY**

This bill allows any taxpayer that makes a minimum \$500 donation to the Office of Higher Education (OHE) for the Roberta B. Willis Scholarship program (hereafter “Willis Scholarship”) to claim a corporation business tax credit or income tax credit, beginning in the 2021 income or tax year respectively. The donation yields a credit equal to 40% of the total cash amount donated, up to a \$60,000 credit per taxpayer. The bill caps the total annual credits for the first income and taxable year at \$16 million and \$32 million for subsequent years.

Additionally, the bill establishes (1) taxpayer eligibility criteria for the credit; (2) an application process for taxpayers that wish to claim it; and (3) a non-lapsing, General Fund account into which OHE must deposit scholarship donations. It requires OHE to annually report on the amount of donations received.

The bill also incorporates the donations received into the funding formula for determining scholarship grant amounts available to award. It provides that the total base for grant funds includes any amount in the donation account plus available state appropriations, rather than just the latter as under current law.

**EFFECTIVE DATE:** Upon passage, and the tax credit provisions apply to income and taxable years beginning January 1, 2021, or later.

#### **TAX CREDIT ELIGIBILITY**

##### ***Eligible Taxpayers***

The bill allows eligible taxpayers to claim the credit against the corporation business tax or income tax (but not the withholding tax).

In addition to taxpayers who are not business entities, the bill also allows S corporation shareholders and partners in partnerships that donate to claim the credit.

If the entity is structured as a limited liability company, has only one owner, and does not file a separate federal tax return (“disregarded entity”), the owner may claim the credit against the personal income tax.

### **APPLICATION PROCESS**

The bill establishes an application process for taxpayers that wish to claim the credit. The OHE executive director determines the application form, which must contain information that includes the intended donation amount along with any other information the office requires.

Under the bill, within 30 days after the executive director receives the application, he must issue a written decision. He must issue a certification letter to the taxpayer indicating that the tax credit will be available to be claimed if he finds that the (1) donation meets the bill’s requirements and (2) total amount of credits claimed in the tax year have not exceeded the bill’s yearly cap.

### **SCHOLARSHIP PROGRAM DONATION ACCOUNT**

The bill establishes the “Roberta B. Willis Scholarship program donation account” as a separate, non-lapsing account in the General Fund. OHE must deposit scholarship donations received into this account and spend the account funds for the scholarship program’s purposes. Additionally, the office must report to the Appropriations and Higher Education and Employment Advancement committees by January 1, 2022, and annually thereafter, about the amount of donations in the account received during the previous calendar year.

Beginning in FY 22, OHE must lapse from the state appropriations for the Willis Scholarship an amount equal to the amount of donations received during the previous calendar year. By law, appropriations for the Willis Scholarship do not lapse until the end of the fiscal year after

the one for which it was made.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 17 Nay 5 (03/18/2021)