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NEWS RELEASE

FOR IMMEDIATE RELEASE

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**North Carolina's Corporate Tax Credit for
Scholarship Funding Organizations**

House Bill 1104, introduced today by Reps. Paul Stam (R-Wake), William Brisson (D-Bladen), Mike Hager (R-Rutherford) and Marcus Brandon (D-Guilford), creates a new tax credit for corporate donations to scholarship funding organizations. K-12 students will be eligible to receive a scholarship if they were a full-time student at a public school during the previous semester, if they received a scholarship from a scholarship-funding organization during the previous school year, or if they are entering kindergarten or the first grade. The student must also belong to a household with an annual income level that does not exceed 225% of the federal poverty level (for a family of four, that would be about \$50,000). The scholarships will not exceed \$4,000 per year per student to cover tuition and fees for books, transportation, equipment, or other items required by the school.

The new tax credit is capped at \$40,000,000 beginning on January 1, 2013, with provisions to expand the cap. The credit will pay for itself as the government (including state and local) realizes the savings in the difference between the scholarship amount and the average state and local payment. The Legislative Fiscal Research Division estimates combined savings to the government (state and local) of \$53,000 in the first year, \$16 million in the second year, and \$12 million in the third year.

The tax credit follows several scholarship programs around the country, including Rhode Island, Arizona, Florida, Indiana and Georgia. Florida's program, enacted in 2001, received \$118,000,000 in donations in 2009. These funds were used to give scholarships to 23,259 students at 988 schools. Florida's program is ethnically diverse with 34.4% Hispanic and 34.4% African American recipients reported in the February 2012 Quarterly Report. Similar programs are being actively considered this summer in other states, including New Hampshire and New Jersey.

The educational scholarships funded by this tax credit will provide new opportunities for families around the state. This bill will open the door for parents to explore educational options available to their children and select the choice that best fits the needs of their family. It will also provide valuable savings of taxpayer dollars that can be used to meet crucial needs in our public schools.

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