

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Mark L. Earley

3. **Committee** House Finance

4. **Title** Income Tax Education Improvement
Scholarships Tax Credit scholarship cap
repeal

2. **Bill Number** HB 2762

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would remove the caps on the aggregate amount of scholarships allowed for each individual student under the Education Improvement Scholarships Tax Credit. Under current law, the caps on the aggregate amount of scholarships allowed for an individual student are as follows:

- For students, the lesser between the actual qualified educational expenses of the student or 100% of the state share of per-pupil Standards of Quality funding for the locality in which the recipient resides.
- For eligible students with a disability attending certain schools for students with disabilities, the lesser between the actual qualified educational expenses of the student or 300% of the state share of per-pupil Standards of Quality funding for the locality in which the recipient resides.
- For eligible pre-kindergarten students, the lesser between the actual qualified educational expenses of the student or 100% of the state share of per-pupil Virginia Preschool Initiative funding for the locality in which the recipient resides.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact:** (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill to be routine and does not require additional funding.

The Department of Education considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill would have no General Fund revenue impact. The Education Improvement Scholarship Tax Credit is currently subject an aggregate \$25 million annual credit cap, and the Official General Fund revenue forecast assumes full utilization of the annual cap. Because this bill does not increase the annual aggregate cap, this bill would have no revenue impact, and no budget amendment is needed.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Education

10. Technical amendment necessary: No.

11. Other comments:

Education Improvement Scholarships Tax Credit

The Education Improvement Scholarships Tax Credit provides an income tax credit to taxpayers equal to 65 percent of value of the monetary or marketable securities donations they made to a qualifying scholarship foundation. Tax credits are awarded to taxpayers on a first-come, first-served basis. DOE is responsible for approving scholarship foundations and allocating the Education Improvement Scholarships Tax Credit, and these decisions are final and are not subject to review or appeal. A taxpayer that makes a donation to a scholarship foundation is eligible to receive an income tax credit from that scholarship foundation.

No tax credit is allowed if the donation is less than \$500. No more than \$125,000 in tax credits may be issued to an individual in a taxable year. The \$125,000 limitation does not apply to tax credits issued to any business entity, including a sole proprietorship. In addition, taxpayers may carry forward unused credits for up to five taxable years. The Education Improvement Scholarships Tax Credit is subject to an overall annual credit cap of \$25 million.

Proposal

This bill would remove the caps on the aggregate amount of scholarships allowed for each individual student under the Education Improvement Scholarships Tax Credit. Under current law, the caps on the aggregate amount of scholarships allowed for an individual student are as follows:

- For students, the lesser between the actual qualified educational expenses of the student or 100% of the state share of per-pupil Standards of Quality funding for the locality in which the recipient resides.
- For eligible students with a disability attending certain schools for students with disabilities, the lesser between the actual qualified educational expenses of the student or 300% of the state share of per-pupil Standards of Quality funding for the locality in which the recipient resides.

- For eligible pre-kindergarten students, the lesser between the actual qualified educational expenses of the student or 100% of the state share of per-pupil Virginia Preschool Initiative funding for the locality in which the recipient resides.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

Similar Bills

HB 2759 would repeal the sunset date for the Education Improvement Scholarships Tax Credit.

cc : Secretary of Finance

Date: 01/25/2025 AO
HB2762F161