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SENATE BILL NO. 732

Offered January 16, 2026

A BILL to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 sections numbered 58.1-339.15 and 58.1-339.16, relating to income tax; nonpublic and public school tax credits.

Patron—Sturtevant

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 sections numbered 58.1-339.15 and 58.1-339.16 as follows:

§ 58.1-339.15. Nonpublic school tax credit.

A. For purposes of this section:

"Eligible student" means a student who is (i) exempt from the compulsory attendance law for the purpose of home education or enrollment in a private educational institution in accordance with the provisions of § 22.1-254; (ii) at the time any qualifying expense is incurred, domiciled in an area that, at any time, received designation as a qualified opportunity zone within Planning District 15; (iii) under the age of 18 at the close of the school year for which a credit under this section is sought; and (iv) either receiving home instruction as authorized under § 22.1-254.1 or enrolled full time in a kindergarten through twelfth grade education program at any private school in the Commonwealth during the school year for which a credit is sought.

"Household" means an individual, or in the case of married individuals, an individual and his spouse, regardless of whether the individual and his spouse file combined or separate Virginia individual income tax returns.

"Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

"Qualified opportunity zone" has the same meaning as such term is defined in §1400Z-1 of the Internal Revenue Code of 1986.

"Qualifying expense" means any expense incurred during the taxable year for (i) instruction-related materials, including textbooks, workbooks, and supplies; (ii) courses or programs used in home instruction; (iii) tuition and fees for any private school or career preparatory, technical, or higher education institution; (iv) necessary educational assistance for an eligible student with a disability; (v) fees for nationally standardized achievement tests, advanced placement examinations, examinations taken to gain admission to a school, program, or institution of higher education; and (vi) transportation to and from an eligible student's education provider.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031:

1. A taxpayer shall be allowed a refundable credit against the tax levied pursuant to § 58.1-320 for up to \$5,000 of qualifying expenses incurred by such taxpayer who is the parent or legal guardian of an eligible student. Any credits claimed pursuant to this section for qualifying expenses incurred on behalf of one eligible student shall not be claimed by any other taxpayer for such student. No more than \$2,000 of any credit claimed pursuant to this subdivision may be used for qualifying expenses incurred for computer expenses, internet access expenses, or transportation-related expenses.

2. A household (i) whose family Virginia adjusted gross income does not exceed 300 percent of the poverty guideline amount corresponding to a household of an equal number of persons as listed in the poverty guidelines published during such taxable year and (ii) that qualifies for the credit under subdivision 1 shall be allowed to claim a refundable credit of \$2,500 in addition to the credit provided in subdivision 1. However, such household that is eligible for \$7,500 pursuant to subdivision 1 and this subdivision shall not be allowed to claim more than \$3,000 of such credits for qualifying expenses incurred for computer expenses, internet access expenses, or transportation-related expenses.

3. Any taxpayer claiming credits pursuant to this subsection may only claim such credits for one eligible student in a taxable year. The aggregate amount of credits allowable under this section shall not exceed \$25 million in any taxable year; however, in the event that the aggregate amount of credits claimed in a single taxable year is greater than 90 percent of such amount, the aggregate credit cap amount shall be increased in the immediately succeeding taxable year by 10 percent. Credits shall be allocated by the Department on a first-come, first-served basis.

C. To claim the credit, the taxpayer shall submit purchase receipts with his income tax return to verify any qualifying expenses incurred and shall provide with the income tax return (i) the name of the student

59 receiving home instruction for the year and the school division to which notice was provided pursuant to
60 subsection B of § 22.1-254.1 or (ii) the name of the student attending private school and certification of such
61 enrollment from the private school.

62 D. If the amount of the credit that may be claimed in any single taxable year exceeds the taxpayer's
63 liability for taxes imposed by this chapter for that taxable year, the excess shall be refunded by the Tax
64 Commissioner within 90 days after the filing date of the income tax return on which the individual applies for
65 the refund.

66 E. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such
67 guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

68 **§ 58.1-339.16. Public school tax credit.**

69 A. For purposes of this section:

70 "Eligible student" means a student who is (i) subject to the compulsory attendance law in accordance with
71 the provisions of § 22.1-254; (ii) at the time any qualifying expense is incurred, domiciled in an area that, at
72 any time, received designation as a qualified opportunity zone within Planning District 15; (iii) under the age
73 of 18 at the close of the school year for which a credit under this section is sought; and (iv) enrolled full time
74 in a kindergarten through twelfth grade education program at any public school in the Commonwealth
75 during the school year for which a credit is sought.

76 "Household" means an individual, or in the case of married individuals, an individual and his spouse,
77 regardless of whether the individual and his spouse file combined or separate Virginia individual income tax
78 returns.

79 "Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of
80 Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services
81 under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

82 "Qualified opportunity zone" has the same meaning as such term is defined in §1400z-1 of the Internal
83 Revenue Code of 1986.

84 "Qualifying expense" means any expense incurred during the taxable year for (i) instruction-related
85 materials, including textbooks, workbooks, and supplies; (ii) tuition and fees for any career preparatory,
86 technical, or higher education institution; (iii) necessary educational assistance for an eligible student with a
87 disability; (iv) fees for nationally standardized achievement tests, advanced placement examinations,
88 examinations taken to gain admission to a school, program, or institution of higher education; and (v)
89 transportation to and from an eligible student's education provider.

90 B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031:

91 1. A taxpayer shall be allowed a refundable credit against the tax levied pursuant to § 58.1-320 for up to
92 \$1,500 of qualifying expenses incurred by such taxpayer who is the parent or legal guardian of an eligible
93 student. Any credits claimed pursuant to this section for qualifying expenses incurred on behalf of one
94 eligible student shall not be claimed by any other taxpayer for such student. No more than \$600 of any credit
95 claimed pursuant to this subdivision may be used for qualifying expenses incurred for computer expenses,
96 internet access expenses, or transportation-related expenses.

97 2. A household (i) whose family Virginia adjusted gross income does not exceed 300 percent of the
98 poverty guideline amount corresponding to a household of an equal number of persons as listed in the
99 poverty guidelines published during such taxable year and (ii) that qualifies for the credit under subdivision
100 1 shall be allowed to claim a refundable credit of \$2,500 in addition to the credit provided in subdivision 1.
101 However, such household that is eligible for \$4,000 pursuant to subdivision 1 and this subdivision shall not
102 be allowed to claim more than \$1,600 of such credits for qualifying expenses incurred for computer expenses,
103 internet access expenses, or transportation-related expenses.

104 3. Any taxpayer claiming credits pursuant to this subsection may only claim such credits for one eligible
105 student in a taxable year. The aggregate amount of credits allowable under this section shall not exceed \$25
106 million in any taxable year; however, in the event that the aggregate amount of credits claimed in a single
107 taxable year is greater than 90 percent of such amount, the aggregate credit cap amount shall be increased
108 in the immediately succeeding taxable year by 10 percent. Credits shall be allocated by the Department on a
109 first-come, first-served basis.

110 C. To claim the credit, the taxpayer shall submit purchase receipts with the income tax return to verify
111 any qualifying expenses incurred and shall provide with the income tax return the name of the student
112 enrolled full time in a kindergarten through twelfth grade education program at any public school in the
113 Commonwealth for the year and the school division in which such child is enrolled.

114 D. If the amount of the credit that may be claimed in any single taxable year exceeds the taxpayer's
115 liability for taxes imposed by this chapter for that taxable year, the excess shall be refunded by the Tax
116 Commissioner within 90 days after the filing date of the income tax return on which the individual applies for
117 the refund.

118 E. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such
119 guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).