



## **Education Improvement Scholarship Tax Credit Legislation**

### **Overview:**

During the 2012 Virginia General Assembly session, the Education Improvement Scholarship Tax Credit bill will be introduced to provide greater parental choice in education. Similar legislation was approved by the Virginia House of Delegates last year before being defeated 9-6 in the Senate Finance Committee.<sup>1</sup>

By providing business tax credits for donations toward Education Improvement Scholarships to enable economically disadvantaged children to attend nonpublic K-12 schools, passage of this bill, which is supported by the Virginia Catholic Conference, would:

- provide options and opportunities for low-income families.
- sustain enrollment in Catholic schools.
- save all taxpayers money.

### **Outline of the Education Improvement Scholarship Bill:**

- Businesses would be eligible for tax credits<sup>2</sup> for donations they provide to scholarship foundations. The tax credit a business would receive would equal 70% of its donation. (For example, a business contributing \$10,000 would be eligible for a \$7,000 tax credit.)

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<sup>1</sup> The legislation has passed the House during each of the past seven Virginia General Assembly sessions, but has stalled each year in Senate Finance.

<sup>2</sup> The total amount of tax credits that may be granted each fiscal year is capped at \$25 million.

- Scholarship foundations would disburse at least 90% of their tax-credit-derived funds for Education Improvement Scholarships for qualifying students.<sup>3</sup>
- Virginia students would qualify for Education Improvement Scholarships (to attend nonpublic K-12 schools) if they are eligible for the federal Free and Reduced Lunch Program (*e.g.*, just under \$41,000 for a family of four) and meet one of the following additional criteria:
  - were enrolled in the Commonwealth's public schools for the year prior to receiving Education Improvement Scholarships,
  - were prior recipients of Education Improvement Scholarships,
  - are eligible to enter kindergarten or first grade, or
  - were not residents of Virginia during the preceding school year.
- Education Improvement Scholarships could not exceed the lesser of
  - the cost of tuition and instructional fees and materials or
  - the per-pupil amount distributed by the state to the local school division in which the student resides.

### **Frequently Asked Questions:**

#### ***What is the Virginia Catholic Conference, and what is its role?***

The Virginia Catholic Conference is the office that represents the public-policy interests of Virginia's Catholic Bishops and their two Dioceses.

The Conference works to help pass legislation in the areas of respect life, concern for the poor, family life, and education, which includes bills to assist parents in their critical role as first teachers of their children. On education-related initiatives, the Conference coordinates closely with the Offices of Catholic Schools of the Dioceses of Arlington and Richmond.

#### ***How would the Education Improvement Scholarship Tax Credit bill help students, parents, Catholic schools, and the state if it passes?***

Passage of the Education Improvement Scholarship Tax Credit bill would provide options and opportunities for low-income families. Virginia's lowest income

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<sup>3</sup> "Scholarship foundation" means a nonstock, nonprofit corporation that is (i) exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (ii) approved by the Department of Taxation, and (iii) established to provide financial aid for the education of students residing in Virginia.

children should have the same options and opportunities as all other children, especially when it comes to something as vital to their future as education.

Passage of the bill would also sustain enrollment in nonpublic schools and thus save all taxpayers money. Preventing declines in nonpublic-school enrollment is important for the future of Catholic schools and for the future of the state. The more that students move from nonpublic schools to public schools, the greater the cost to state and local governments . . . and hence to the taxpayer.

***In these tough economic times, would the bill cost the state more money?***

No. In fact, due to the limit on scholarship amounts and the fact that the tax credit is 30% less than a dollar-for-dollar credit, the cost of the program would be more than offset by savings to the state's public education expenses. In other words, the program would save the state money!

***Do similar programs exist in other states?***

Yes. Eight states have programs that offer tax credits to businesses for their donations toward K-12 scholarships. Virginia's Education Improvement Scholarship Tax Credit bill is modeled after a successful and very popular Florida program that was created in 2001 and that has expanded considerably over the last few years. There are well over 100,000 students enrolled in that program and in similar ones in other states.

***Would the program be popular in Virginia?***

A report by the Friedman Foundation, on the polling of 1,200 likely Virginia voters conducted in October 2009, found:

- 65% in favor of tax credits for donations to scholarship organizations
- only 23% opposed to this proposed policy
- high support for these tax credits among Democrats (64%), Republicans (68%), and Independents (66%)

***What can Catholic school communities do to help the bill become law?***

The Catholic school community needs to be fully engaged in this debate. Legislators want to, and need to, hear the views of the people they represent, and that includes all of us.

To help parishioners, Catholic school parents, and others participate in the political process, the Virginia Catholic Conference provides an Email Advocacy

Network. **To enroll in the Email Advocacy Network, visit [www.vacatholic.org](http://www.vacatholic.org) and use the easy sign-up feature.**

You will then receive periodic action alerts and updates on the Education Improvement Scholarship Tax Credit bill and other bills supported by Virginia's Catholic Bishops and their two Dioceses.

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