

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 1529

S.P. 552

March 20, 2007

### An Act To Create a Scholarship Grant Organization Tax Credit

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading 'Joy J. O'Brien'.

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator SHERMAN of Aroostook.  
Cosponsored by Representative CLEARY of Houlton and Representative: GIFFORD of  
Lincoln.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 20-A MRSA §5815** is enacted to read:

3 **§5815. School tuition organization reporting**

4 A school tuition organization, as defined in Title 36, section 5219-BB, using  
5 voluntary donations provided pursuant to Title 36, section 5219-BB shall report annually  
6 by March 1st to the Department of Administrative and Financial Services, Bureau of  
7 Revenue Services, in a form prescribed by the bureau, the following information:

8 **1. Name.** The name, address and contact name of the school tuition organization;

9 **2. Number of contributions.** The total number of contributions received during the  
10 previous calendar year;

11 **3. Amount of contributions.** The total dollar amount of contributions received  
12 during the previous calendar year;

13 **4. Number of children.** The total number of children awarded educational  
14 scholarships or tuition grants during the previous calendar year;

15 **5. Amount of scholarships or grants.** The total dollar amount of educational  
16 scholarships and tuition grants awarded during the previous calendar year; and

17 **6. School information.** For each school to which educational scholarships or tuition  
18 grants were awarded:

19 **A.** The name and address of the school;

20 **B.** The number of educational scholarships and tuition grants awarded during the  
21 previous calendar year; and

22 **C.** The total dollar amount of educational scholarships and tuition grants awarded  
23 during the previous calendar year.

24 **Sec. 2. 36 MRSA §5219-BB** is enacted to read:

25 **§5219-BB. Scholarship grant organization credit**

26 **1. Definitions.** As used in this section, unless the context otherwise indicates, the  
27 following terms have the following meanings.

28 **A.** "Child with a disability" has the same meaning as in Title 20-A, section 7001,  
29 subsection 1-B.

30 **B.** "Eligible dependent" means a dependent of an individual, when the dependent is  
31 enrolled in a qualified school.

32 **C.** "Private school" means an academy, seminary, institute or other private  
33 corporation or body formed for educational purposes covering kindergarten through  
34 grade 12 or any portion thereof.

1 D. "Qualified school" means a private school for elementary and secondary  
2 education or a private preschool for a child with a disability that:

3 (1) Is located in this State;

4 (2) Does not discriminate on the basis of race, color, disability, familial status or  
5 national origin; and

6 (3) Satisfies the requirements prescribed by law for private schools in this State  
7 on January 1, 2007.

8 E. "School tuition organization" means a charitable organization in this State that:

9 (1) Is exempt from federal taxation under Section 501(c)(3) of the Code;

10 (2) Allocates at least 90% of its annual revenue for educational scholarships or  
11 tuition grants to children to allow them to attend any qualified school of their  
12 parents' choice; and

13 (3) Provides educational scholarships or tuition grants to students without  
14 limiting availability of those scholarships or grants to students of a specific  
15 school.

16 2. Amount. An individual is allowed a credit up to \$1,200 per eligible dependent  
17 against the tax otherwise due under this Part in the amount of voluntary cash  
18 contributions made by the individual during the taxable year to a school tuition  
19 organization.

20 3. Conditions. The credit allowed under subsection 2 is subject to the following  
21 conditions.

22 A. A married couple who file separate returns for a taxable year in which they could  
23 have filed a joint return may each claim only 1/2 of the tax credit that would have  
24 been allowed for a joint return.

25 B. Any part of the voluntary cash contribution that is used to reduce the individual's  
26 Maine tax liability except as provided in this section is ineligible for the credit  
27 provided pursuant to this section.

28 C. The tax credit is not allowed if the individual designates the individual's  
29 contribution to the school tuition organization for the direct benefit of any dependent  
30 of the individual.

31 D. The school tuition organization must meet the reporting requirements specified in  
32 Title 20-A, section 5815.

33 4. Limitation; carry-forward. The credit under this section may not reduce the tax  
34 otherwise due under this Part to less than zero. An individual entitled to a credit under  
35 this section for any taxable year may carry over and apply to the tax liability for any one  
36 or more of the next succeeding 5 taxable years the portion, as reduced from year to year,  
37 of any unused credits.

38 **Sec. 3. Application.** This Act applies to tax years beginning on or after January 1,  
39 2007.

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## SUMMARY

2 This bill establishes a scholarship grant organization credit to provide a tax credit to  
3 individuals who donate to school tuition organizations. School tuition organizations are  
4 defined as organizations that provide grants or scholarships to private school students in  
5 kindergarten to grade 12 and to private preschools for children with disabilities.

6 The maximum amount of the credit is \$1,200 per year per child enrolled in a private  
7 school. School tuition organizations that receive such contributions are subject to  
8 reporting requirements. The credit is not available to a person who designates any part of  
9 the contribution for the direct benefit of a dependent of the person.