

**HOUSE . . . . . No.**

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**The Commonwealth of Massachusetts**

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PRESENTED BY:

**Jennifer M. Callahan**

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*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

**An Act creating the great schools tax credit program.**

\_\_\_\_\_

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Jennifer M. Callahan	18th Worcester

[SIMILAR MATTER FILED IN PREVIOUS SESSION  
SEE HOUSE, NO. 3900 OF 2007-2008.]

## The Commonwealth of Massachusetts

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In the Year Two Thousand and Nine  
—————

### AN ACT CREATING THE GREAT SCHOOLS TAX CREDIT PROGRAM.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1           The General laws are hereby amended by inserting after chapter 62 F the following chapter:-

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3 Chapter 62 G

4 **Section 1.**

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6           A) "Program" means the Great Schools Tax Credit Program.

7           B) "Eligible student" means a student who:

8                     1) is a member of a household whose total annual income during the year before he or  
9                     she receives an educational scholarship under this program does not exceed an  
10                    amount equal to 2.5 times the income standard used to qualify for a free or reduced  
11                    price lunch under the national Free or Reduced Price Lunch Program established  
12                    under 42 USC Section 1751 et seq. Once a student receives a scholarship under this  
13                    program, the student will remain eligible regardless of household income until the  
14                    student graduates high school or reaches 21 years of age;

15                    2) was eligible to attend a public school in the preceding semester or is starting school in  
16                    our state for the first time;

17                    3) resides in our state while receiving an educational scholarship;

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19           C) "Low-income eligible student" means a student who qualifies for free or reduced price lunch under the  
20           national Free or Reduced price Lunch Program established under 42 USC Section 1751 et seq.;

- 21 D) "Educational scholarships" means grants to student to cover all or part of the tuition and fees at either a  
22 qualified non-public school or a qualified public school, including transportation to a public school outside  
23 of a student's resident school district.
- 24 E) "Qualified school" means either a public elementary and/or secondary school outside of the district in  
25 which a student resides or a non-public elementary and/or secondary school in our state that complies  
26 with all of the requirements of the program;
- 27 F) "Parent" includes a guardian, custodian or other person with authority to act on behalf of the child;
- 28 G) "Scholarship Granting Organization" means an organization that complies with the requirements of this  
29 program and provides education scholarships to students attending qualified schools of their parents'  
30 choice.
- 31 H) "Department" means the state Department of Revenue;
- 32

33 **Section 2.**

- 34 A) A taxpayer who files a state income tax return and is not a dependent of another taxpayer may claim a  
35 credit for a contribution made to a scholarship granting organization;
- 36 B) B) The credit may be claimed by an individual taxpayer or a married couple filing jointly in an amount  
37 equal to the total contributions made to a scholarship granting organization during the taxable year for  
38 which the credit is claimed up to 50% of the taxpayer's tax liability;
- 39 C) An Individual taxpayer or a married couple filing jointly may carry forward a tax credit under this program  
40 for three years;
- 41 D) The credit may be claimed by a corporate taxpayer in an amount equal to the total contributions made to  
42 a scholarship granting organization for educational scholarships during the taxable year for which the  
43 credit is claimed up to 50% of the taxpayer's tax liability;
- 44 E) A corporate taxpayer may carry forward a tax credit under this program for three years;
- 45

46 **Section 3.**

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- 48 A) Each scholarship granting organization shall:
    - 49 1) notify the Department of its intent to provide educational scholarships to students  
50 attending qualified schools.
    - 51 2) demonstrate to the Department that it has been granted exemption from the federal  
52 income tax as an organization described in Section 501 (c) (3) of the Internal Revenue  
53 Code.
    - 54 3) provide a Department-approved receipt to taxpayers for contributions made to the  
55 organization.
    - 56 4) ensure that at least ninety percent of its revenue from donations is spent on  
57 educational scholarships, and that all revenue from interest or investments is spent  
58 on educational scholarships.
    - 59 5) spend each year a portion of its expenditures on scholarships for low-income eligible  
60 students equal to the percentage of low-income eligible students in the county where  
61 the scholarship granting organization expends the majority of its scholarships.
    - 62 6) ensure that at least X% of first time recipients of educational scholarships were not  
63 continuously enrolled in a non-public school during the previous year.
    - 64 7) distribute periodic scholarship payments as checks made out to a student's parent or  
65 guardian and mailed to the qualified school where the student is enrolled. The parent  
66 or guardian must endorse the check before it can be deposited.
    - 67 8) cooperate with the Department to conduct criminal background checks on all of its  
68 employees and board members and exclude from employment or governance any

- 69 individual(s) that might reasonably pose a risk to the appropriate use of contributed  
70 funds.
- 71 9) ensure that scholarships are portable during the school year and can be used at any  
72 qualified school that accepts the eligible student according to a parent's wishes. If a  
73 student moves to a new qualified school during a school year, the scholarship amount  
74 may be prorated.
- 75 10) demonstrate its financial accountability by:
- 76 a. submitting a financial information report for the organization that complies with  
77 uniform financial accounting standards established by the Department and conducted  
78 by a certified public accountant; and
- 79 b. having the auditor certify that the report is free of material misstatements.
- 80 11) demonstrate its financial viability, if they are to receive donations of \$50,000 or more  
81 during the school years; by:
- 82
- 83 a. filing with the Department prior to the start of the school year a surety bond payable to the state in an  
84 amount equal to the aggregate amount of contributions expected to be received during the school year;  
85 or
- 86 b. filing with the Department prior to the start of the school year financial information that demonstrates  
87 the financial viability of the scholarship granting organization.
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- 89 B) Each scholarship granting organization shall ensure that participating schools that accept its scholarship  
90 students will:
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- 92 1) comply with all health and safety laws or codes that apply to non-public schools;
- 93 2) hold a valid occupancy permit if required by their municipality;
- 94 3) certify that they will not discriminate in admissions on the basis of race, color, national origin, religion or  
95 disability;
- 96 4) Provide academic accountability to parents of the students in the program by regularly reporting to the  
97 parent on the student's progress.
- 98
- 99 C) Scholarship granting organizations shall not provide educational scholarships for students to attend any  
100 school with paid staff or board members, or relatives thereof, in common with the scholarship granting  
101 support organization.
- 102 D) A scholarship granting organization shall publicly report to the Department by June 1 of each year the  
103 following information prepared by a certified public accountant regarding their grants in the previous  
104 calendar year:
- 105
- 106 1) the name and address of the student support organization;
- 107 2) the total number and total dollar amount of contributions received during the previous calendar year; and
- 108 3) the total number and total dollar amount of educational scholarships awarded during the previous  
109 calendar year; the total number and total dollar amount of educational scholarships awarded during the  
110 previous year to students qualifying for the federal free and reduced lunch program, and the percentage  
111 of first time recipients of educational scholarships who were continuously enrolled in a public school  
112 during the previous year.
- 113

114 **Section 4.**

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116 A) The Department shall adopt rules and procedures consistent with this act as necessary to implement the  
117 program.

118 B) B) The Department shall provide a standardized format for a receipt to be issued by a scholarship granting  
119 organization to a taxpayer to indicate the value of a contribution received. The department shall require  
120 a tax payer to provide a copy of this receipt when claiming the Great Schools Tax Credit.

121 C) The Department shall provide a standardized format for scholarship granting organizations to report the  
122 information in section 4 (C) above.

123 D) The Department shall have the authority to conduct either a financial review or audit of a student support  
124 organization if possessing evidence of fraud.

125 E) The Department may bar a scholarship granting organization from participating in the program if the  
126 Department established that the scholarship granting organization has intentionally and substantially  
127 failed to comply with the requirements in Section 4.

128 F) If the Department decides to bar a scholarship granting organization from the program, it shall notify  
129 affected scholarship students and their parents of this decision as quickly as possible.

130 G) The Department shall allow a taxpayer to divert a prorated amount of state income tax withholdings to a  
131 scholarship granting organization of the taxpayer's choice up to the maximum credit allowed by law,  
132 including carry-over credits. The Department shall have the authority to develop a procedure to facilitate  
133 this process.  
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135 **Section 5.**

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137 A) all qualified schools shall be required to operate in our state.

138 B) All quailed schools shall comply with all state laws that apply to non-public schools regarding criminal  
139 background checks for employees and exclude from employment any people not permitted by state law  
140 to work in a non-public school.  
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