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Memorandum

To: Revenue and Transportation Interim Committee

From: Aaron McNay, Economist *AM*
Tax Policy and Research, Montana Department of Revenue

Date: April 18, 2018

Subject: Annual Report on Student Scholarship Organization Credit

Each year the Department of Revenue is required by 15-30-3112, MCA to make a report to the Revenue and Transportation Interim Committee on the Student Scholarship Organization Credit. This memorandum briefly describes the Student Scholarship Credit and reports on the use of the credit over the previous two years.

Starting in tax year 2016, individuals and corporations are allowed to claim a credit for donations made to student scholarship organizations during the tax year. The credit is non-refundable and is equal to the amount of the donation, but cannot exceed \$150 per taxpayer. The credit is currently limited to \$3 million in total donations each tax year, with the possibility of increasing the credit in future years. To claim the credit, a taxpayer must donate the claimed funds directly to the student scholarship organization before the end of the tax year, and can then claim the donation on their tax return.

There was only one student scholarship organization that was registered for the tax credit in tax years 2016 and 2017. The only student scholarship organization that is currently registered for the credit in tax year 2018 is the Big Sky Scholarships organization.

Based on tax records, the Student Scholarship Organization Credit was claimed on 137 personal income tax forms for tax year 2016, which is due to 224 people claiming the credit. The total credit amount claimed on tax returns for 2016 was \$32,129. Based on current income tax returns for tax year 2017, approximately 124 people claimed the credit on 80 income tax returns and claimed \$17,720 in credits. Credit amounts for tax year 2017 are currently incomplete as not all taxpayers have filed their 2017 returns.

Figure 1					
Tax Year	Returns Claiming Credit	Individuals Claiming Credit	Total Credits	Average Credit Amount Per Return	Average Credit Amount Per Individual
2016	137	224	\$32,129	\$235	\$143
2017*	80	124	\$17,720	\$222	\$143

* Preliminary Credit Amounts and Subject to Revision

Current tax records indicate that no corporations or passthroughs claimed the tax credit on their 2016 corporate tax returns.¹

¹ Finalized tax records for 2016 and 2017 are not currently available, due to some corporations functioning on fiscal years that do not align with the tax year.