Tax credit scholarship program expansion provides new incentives

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Tampa nonprofit Step Up for Students is set to administer an expanded corporate tax credit program that funds scholarships to private schools for students from low-income families.

Legislation signed June 1 by Gov. Charlie Crist renamed what had been the Corporate Income Tax Credit Scholarship Program as the Florida Tax Credit Scholarship Program. It now provides incentives for insurance companies to participate. Step Up for Students is authorized by the state to oversee the program.

Proponents say the program offers low-income students an alternative to public schools. Opponents say the program diverts tax dollars from public education and lacks accountability.

Unlike the Florida Comprehensive Assessment Test for public schools, “this is a situation where public dollars are going to private institutions but we're not able to see if the money is working for us,” said Kevin King, a legislative aide to Rep. Rick Kriseman, D-St. Petersburg, who voted against expanding the program.

The program reduces the amount of corporate tax revenue received by the state but produces a net fiscal benefit, a December report from the Florida Office of Program Policy Analysis and Government Accountability said. “This occurs because state education spending for students who receive scholarships is reduced by more than the amount of revenue lost,” the report said.

NEW INCENTIVE

All Florida corporations pay a corporate income tax equal to 5.5 percent of the income they earn in the state. Under the tax credit program, companies can contribute to scholarship funding organizations that award aid to students. The corporations receive tax credits equal to the amount of their contributions, up to 75 percent of their corporate taxes due.

Before passage of the new law, many insurance companies did not contribute to the program because they paid a tax on premiums written in lieu of corporate income taxes. The new law allows insurance companies to contribute up to 75 percent of their insurance premium tax liability and receive a dollar-for-dollar credit.

Including insurance companies adds stability, since insurance industry profits are not closely tied to the economy’s ups and downs, said Greg Stewart, VP of finance at American Strategic Insurance, a property insurer in St. Petersburg.

PARENTS ALSO CONTRIBUTE

The state has a $118 million cap on tax credits granted. As of February roughly $88.4 million in tax credits had been granted for the current fiscal year. In the 2007-08 school year, $73.5 million in scholarships were awarded.

Students come from families that qualify for the federal free or reduced lunch program. The average income for a family of four in 2008-09 with a scholarship recipient was about $25,000, Step Up For Students said. Scholarship recipients receive up to $3,950 a year for private school tuition and books, or up to $500 in transportation costs for an out-of-district public school. The scholarship often does not cover the entire amount of tuition at participating schools and last year, scholarship families paid an average of $1,094 out of their own pockets, Step Up said.

The scholarship program served 23,259 students in 988 school statewide as of February. Statewide, 81.3 percent of the private schools participating in the program had religious affiliations and 18.7 percent were non-religious institutions.

In the Tampa Bay area, 192 schools were participating, serving 2,753 students.

Among the Bay area schools with the largest number of scholarship recipients this year are American Youth Academy Inc. in Tampa with 145 students, Universal Academy of Florida in Tampa with 104 students, Academy Prep Center of Tampa Inc. in Tampa with 81 students, Abundant Life Christian Academy in Clearwater with 72 students and Southside Christian Academy in St. Petersburg with 44 students.

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