

LB295 THREATENS PUBLIC EDUCATION February 22, 2018



Introducer: Senator Smith

Co-Sponsors: Senators Linehan, Brewer, Halloran

LB295 creates the Opportunity Scholarship Act which allows for individual and corporate taxpayers to qualify for a non-refundable tax credit equal to the amount the taxpayer contributed to a scholarship-granting organization. This creates tax diversions to benefit private schools which are not subject to the same state accountability standards as those for public schools. For calendar year 2018, the total amount of credits granted shall not exceed two million dollars per the amendment from the Revenue committee. The annual limit will increase incrementally each year thereafter.

LB295 would create state income tax credits for contributions to private school scholarship funds. **As such, it is a private school voucher scheme that takes much-needed tax revenue away from our public schools.** LB295 is currently on General File for legislative debate. The total amount of credits would be capped initially at \$2 million a year, but could grow to \$10 million annually.

Currently, a charitable donor may take a deduction on their federal tax return for a gift to a private school, but such donation only results in a partial reduction of their federal and state income tax for every \$1 contributed. However, under LB295, if the donor's state tax liability is \$1,000, then he or she could contribute \$1,000 to a private school, pay no state income tax, and take a federal deduction for that amount. Essentially a donor is basically redirecting \$1,000 from the state's general fund and sending it to a private school. If the state wrote a check to a private school for \$1,000, one would have the same result.

LB295 would give corporate and individual taxpayers a tax credit for contributions to private scholarship-granting organizations such as a private or charter school. Corporations could claim a credit of \$150,000 per year; an individual taxpayer could claim up to \$5,000. The scholarship-granting groups would then give scholarships to assist low-income students to attend private schools that are not under the same accountability standards as public schools.

LB295 is costly to Nebraska and cripples our public education system at all levels. At a time when state lawmakers are required to close a \$200 million budget gap, LB295 is fiscally irresponsible. Diverting state tax dollars to private and corporate interests takes necessary funding away from Nebraska's K-12 system, as well as from our community colleges, state colleges and the University of Nebraska system. Nebraska ranks 48th among the 50 states in the amount of state aid it provides to K-12 schools on a per student basis. Our higher education institutions have already seen near-crippling cuts in recent years and are facing the prospect of more cuts in future years. **AAUW Nebraska strongly opposes LB295 and urges senators to oppose it as well.**

Sources: Nebraska State Education Association, Omaha World Herald