



EXPANDING CHOICE

TAX CREDITS AND EDUCATIONAL
ACCESS IN MONTANA



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Expanding Choice: Tax Credits and Educational Access in Montana

School choice enjoys strong support among Montana residents, and of choice options, tax credits enjoy the greatest level of popularity.¹ Such programs grant tax credits to taxpayers who donate to nonprofit organizations that give scholarships to students. These scholarships may then be used at both public and private (including religious) schools thereby putting previously unaffordable educational options in reach. Tax credit scholarships, like other forms of school choice, allow parents, particularly low- and middle-income families, to choose from a broader array of pre-K through 12 schooling options than currently exist.

In February 2009,² a bill was introduced in the State Legislature to do just that for Montana's low- and middle-income families (income of up to \$58,830 for a family of four³) as well as for foster children—some of Montana's most vulnerable citizens. The new education tax credit program would reduce income taxes for individuals and corporations that donate to scholarship funds. The scholarships would provide an average of \$2,000 per student for attendance at an accredited private school or \$500 for transportation to public schools outside of the student's district.⁴

Opposition to education tax credits traditionally is motivated by concerns that such measures are “risky” or “unprecedented” public policy.⁵ As this report shows, however, using tax credits to enhance worthy causes—such as education—is a well-established and sound practice. Indeed, Montana policymakers already use tax credits to help low-income and other potentially vulnerable residents. These include credits for the mortgage or rent payments of low-income, elderly Montanans; for providing shelter to victims of domestic abuse; or for care of elderly family members or children with developmental disabilities, among others.

Further, at least three existing credits allow taxpayers to contribute to private and religious institutions that provide valuable social services. The first of these is the College Contribution Credit, which rewards donations to the endowments of both public universities and private colleges. The second is the Dependent Care Assistance Credit, which eases the tax burden on employers that provide for the day care of employees' dependents. Finally, the Qualified Endowment Credit encourages taxpayer donations to 501(c)(3) charitable organizations, which provide a multitude of services to the community, including scholarships

for students to attend the school of their choice, either public or private, at the primary, secondary and post-secondary levels.

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These, along with 30 other credits, represent important investments in the social and economic life of Montana citizens. The credits are popular with taxpayers as evidenced by their use. As Table 1 indicates, these credits totaled more than \$160 million between 1998 and 2007,⁶ and as Figure 1 shows, the use of tax credits has grown substantially over the years. Despite their growth, however, the \$160 million total still accounted for only 2.4 percent of total taxes due to Montana.⁷ The revenue foregone by the state was therefore quite small. The money was not lost to the

state, however, as it was dedicated to endeavors that served the social and economic needs and interests of Montana citizens.

Table 1: Value of Montana Tax Credits, 1998-2007⁶

		Credits	Total Taxes Due	Credits as a Percentage of Total Taxes Due
1998	Individual	\$4,943,383	\$449,965,886	1.10%
	Corporate	\$1,567,179	\$89,624,559	1.75%
	Subtotal	\$6,510,562	\$539,590,445	1.21%
1999	Individual	\$7,161,085	\$478,811,343	1.50%
	Corporate	\$1,527,659	\$99,088,870	1.54%
	Subtotal	\$8,688,744	\$577,900,213	1.50%
2000	Individual	\$8,782,897	\$518,279,456	1.69%
	Corporate	\$1,546,985	\$103,670,487	1.49%
	Subtotal	\$10,329,882	\$621,949,943	1.66%
2001	Individual	\$10,166,640	\$515,730,946	1.97%
	Corporate	\$2,547,502	\$68,173,254	3.74%
	Subtotal	\$12,714,142	\$583,904,200	2.18%
2002	Individual	\$4,261,981	\$494,216,195	0.86%
	Corporate	\$2,333,994	\$44,137,518	5.29%
	Subtotal	\$6,595,975	\$538,353,713	1.23%
2003	Individual	\$5,741,542	\$538,246,242	1.07%
	Corporate	\$2,371,668	\$67,722,940	3.50%
	Subtotal	\$8,113,210	\$605,969,182	1.34%
2004	Individual	\$9,054,516	\$620,917,791	1.46%
	Corporate	\$2,207,567	\$98,213,717	2.25%
	Subtotal	\$11,262,083	\$719,131,508	1.57%
2005	Individual	\$12,110,919	\$652,487,295	1.86%
	Corporate	\$1,876,461	\$153,675,069	1.22%
	Subtotal	\$13,987,380	\$806,162,364	1.74%
2006	Individual	\$25,992,399	\$731,440,617	3.55%
	Corporate	\$3,952,087	\$177,503,707	2.23%
	Subtotal	\$29,944,486	\$908,944,324	3.29%
2007	Individual	\$50,041,233	\$771,579,133	6.49%
	Corporate	\$5,552,850	\$160,341,787	3.46%
	Subtotal	\$55,594,083	\$931,920,920	5.97%
Total – Individual		\$138,256,595	\$5,771,674,904	2.40%
Total – Corporate		\$25,483,952	\$1,062,151,908	2.40%
Total – Individual and Corporate		\$163,740,547	\$6,833,826,812	2.40%

Figure 1: Substantial Growth of Tax Credit Use from 1998 to 2007

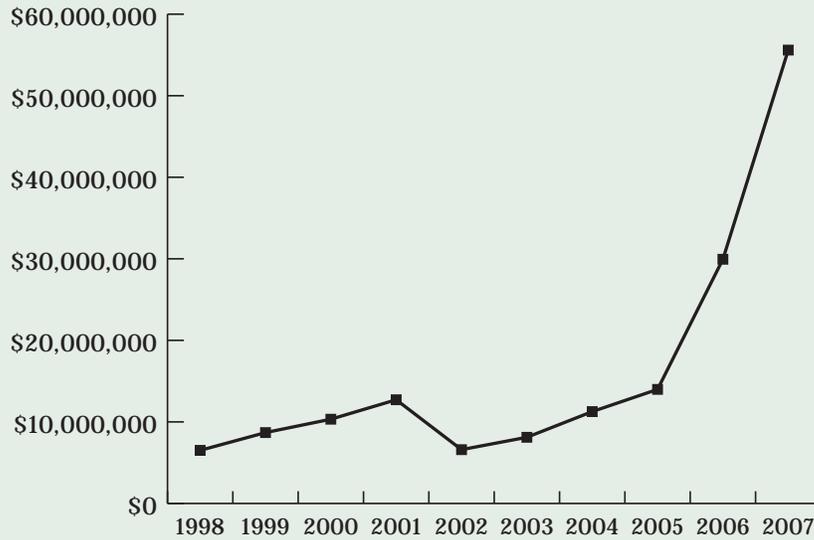
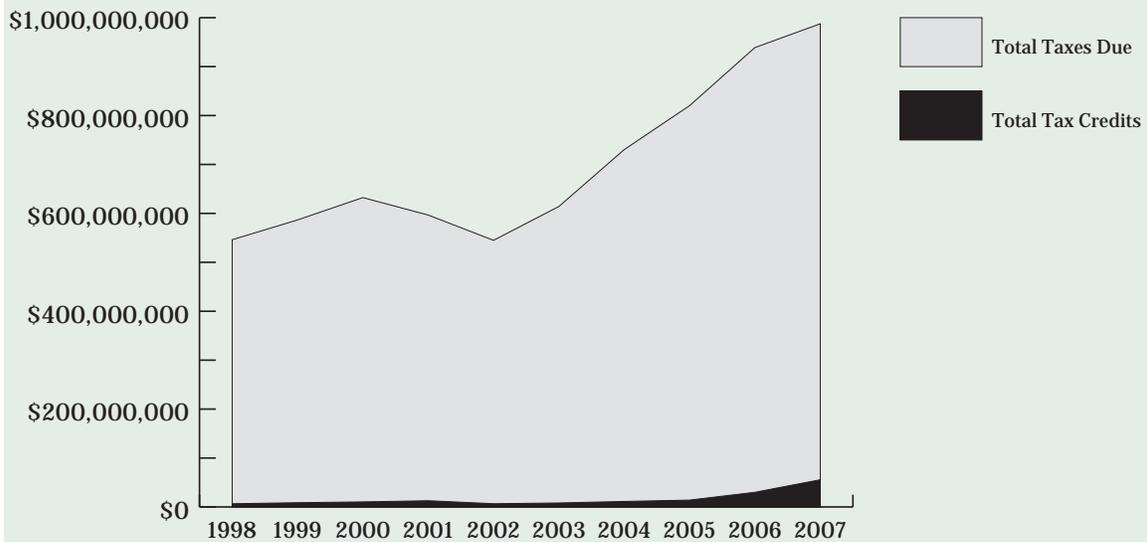


Figure 2: Tax Credits Represent Only a Small Percentage of Total Taxes Due, 1998 to 2007



A WEALTH OF CREDITS

In total, Montana has 33 tax credit programs on the books that incentivize individuals and corporations to engage in a broad array of beneficial activities. As Table 2 indicates, these credits promote education, social welfare, resource conservation and economic investment.

Table 2: Individual and Corporate Tax Credits Offered, 1998-2007⁹

Credit	Individual/ Corporate	Description
EDUCATION		
College Contribution Credit	Both	Individual and corporate taxpayers are allowed a credit of 10% of the amount of charitable contributions to the general endowment funds of Montana public universities, private colleges or private college foundations.
SOCIAL WELFARE		
Adoption Credit	Individual	The IRS code allows an income tax credit for costs of adopting a child. A taxpayer who meets the requirements for the federal credit may also claim a credit of \$1,000 against Montana income tax.
Dependent Care Assistance Credit	Both	The Dependent Credit Assistance Credit is composed three related credits: a) for a portion of the cost of providing day care services to employees' dependents, b) for 25% of the cost of providing day care information and referral services to employees, and c) for a portion of the cost of setting up a day care facility to be used by the taxpayer's employees' dependents.
Developmental Disability Account Contribution Credit	Both	Through 2007, taxpayers were allowed a credit against individual income tax or corporation tax of 30% of any donation to the developmental disability services account.
Elderly Care Credit	Individual	This credit covers part of the costs of caring for a low-income family member who is either elderly or disabled.
Elderly Homeowner/Renter Credit	Individual	Taxpayers who are 65 or older and have a household income of less than \$45,000 may be eligible for the elderly homeowner/renter credit.
Employer Disability Insurance Credit	Corporate	An employer is entitled to a credit for the amount of premiums for employees' disability insurance.
Qualified Endowment Credit	Both	Individual and corporate taxpayers are allowed a credit resulting from a planned gift or contribution to a qualified endowment. A qualified endowment is a permanent fund held by or on behalf of a 501(c)(3) charitable organization.
Rural Physician's Credit	Individual	Through 2007, a physician who began practicing in a rural or underserved area was allowed a \$5,000 credit against individual income tax.
Short-term Temporary Lodging Credit	Both	This is a refundable individual and corporate income tax credit available to lodging establishments that provide free temporary lodging to individuals displaced from their homes due to domestic abuse.
RESOURCE CONSERVATION		
Alternative Energy Production Credit	Both	A taxpayer is allowed a credit against individual income tax or corporation license tax for 35% of the costs of property for a commercial or net metering alternative energy system.
Alternative Energy Systems Credit	Individual	Taxpayers may take a credit for up to \$500 of the cost of installing an alternative energy system or a low-emission wood or biomass system.
Alternative Fuel Credit	Both	Taxpayers are allowed a credit against individual income tax or corporate license tax of 50% of the cost of converting a motor vehicle to operate on natural gas, LPG, LNG, hydrogen, electricity, or a fuel at least 85% alcohol or ether.

Biodiesel Blending and Storage Tank Credit	Both	Taxpayers who are biodiesel blenders are allowed a credit against individual income tax or corporation tax for 15% of the cost of investments in biodiesel blending or storage facilities.
Energy Conservation Credit	Individual	Taxpayers may take a credit for 25% of the costs of investments in a building to conserve energy.
Geothermal Heating System Credit	Both	Taxpayers are allowed a credit against individual income tax or corporation tax for up to \$1,500 of costs of installing a geothermal heating system.
Oilseed Crushing and Biodiesel Production Facility Credit	Both	Taxpayers are allowed a credit against individual income tax or corporation tax for 15% of the cost of investment in property used primarily for crushing oilseeds for producing biodiesel or lubricants.
Recycling Credit	Both	Taxpayers are allowed a credit against individual income tax or corporate license tax for part of the cost of investments in property used in recycling.
ECONOMIC INVESTMENT		
\$140 Homeowner Income Tax Credit	Individual	This is a one-time credit designed to address a budget surplus.
Contractor's Gross Receipts	Both	Contractors are required to pay a license fee equal to 1% of the gross receipts from government contracts during the year for which the license is issued.
Empowerment Zone Credit	Both	A local government may establish an empowerment zone in an area with chronic high unemployment. Employers in an empowerment zone are eligible for a credit against income or corporation license tax for the first three years' employment for new positions.
Film Employment Credit	Both	Taxpayers are allowed a credit against income or corporation license tax for 14% of the first \$50,000 of compensation paid to each Montana resident employed on a state-certified film production.
Film Expenditure Credit	Both	A taxpayer can claim a credit against individual income tax or corporation license tax for the making of a film that has met the criteria to be certified by the Department of Commerce.
Health Insurance for Uninsured Montanans Credit	Both	An employer with 20 or fewer employees may claim a credit against either income or corporation tax for paying at least 50% of the premium for up to 10 employees' health insurance.
Historic Property Preservation Credit	Both	Taxpayers may take a credit against either individual income tax or corporation license tax for costs of rehabilitating a historic building.
Infrastructure Users Fee Credit	Both	The Board of Investments may make loans to local governments to finance infrastructure to serve a new or relocated business that will result in 15 or more new full-time jobs. The local government may charge fees to the users for extending the infrastructure. The business may claim a credit against income or corporation tax for the amount of the fee it pays.
Insure Montana Small Business Health Insurance Credit	Both	A small employer that provides group health insurance for its employees through a state pool may claim a credit.
Interest Differential Credit	Corporate	A public utility or a financial institution that lent money or made qualifying installations may compute the difference between interest it actually receives on the transactions and the interest that would have been received at the prevailing average interest rate for home improvement loans.
Investment Credit	Both	Taxpayers could formerly take a tax credit equal to 5% of the federal investment credit. The federal Tax Reform Act of 1986 repealed the federal investment credit. Consequently, the subsequent tax expenditures associated with this credit reflected only carry forward amounts.
Mineral Exploration Credit	Both	Taxpayers are allowed a credit against income or corporation license tax for the full amount of solid mineral or coal exploration activity in the state.
Montana Capital Company Credit	Both	This is a credit against individual income tax or corporation tax for investments in a certified Montana capital company or qualified small business investment company.
New/Expanded Industry Credit	Corporate	New or expanding manufacturing industries are allowed a tax credit equal to 1% of the total new wages paid in Montana for the first three years of operation or expansion.
Research Credit	Both	Through 2009, IRS code provides a credit equal to 20% of any increase in research expenditures over the taxpayer's baseline. Montana provides a 5% credit against individual income tax or corporation license tax for the same increases in expenditures in the state.

Montana's current education tax credit comes in the form of the College Contribution Credit, which allows taxpayers a credit for donations of up to \$500 to the endowments of public universities and private religious schools, like Carroll College, a Catholic diocesan college in Helena.¹⁰

Social welfare credits include the Dependent Care Assistance Credit, which assists employers who provide or cover the cost of day care services for employees' dependents. Such services can include any qualified day care center, including those associated with faith-based organizations. Other credits lighten the tax burden on physicians who practice in underserved rural areas, on employers who provide disability insurance to employees and on Montanans that adopt children.

Resource conservation tax credits reward taxpayers who invest in alternative fuel systems—vehicles that run on electricity or hydrogen, homes that run on alternative energy sources, equipment that helps buildings conserve energy, geothermal heating systems and biodiesel production, among others. Individuals and corporations can also earn a credit for the cost of investments in property used for recycling.

Economic investment credits encourage the preservation of historic properties, new or expanded manufacturing enterprises, job creation in empowerment zones with high chronic unemployment, investments in a Montana capital company or small business investment company, exploration for minerals and coal, filmmaking and health insurance for employees of small businesses, among others.

INDIVIDUAL TAX CREDITS

Between 1998 and 2007, individuals redirected 2.4 percent of their tax liability to tax credit programs—\$138.2 million. As Table 3 indicates, Montana residents donated to and invested in many different enterprises, from health care to alternative energy. The Qualified Endowment Credit was the most popular for individuals, who used the credit to devote \$37.8 million to charitable organizations. Unfortunately, the Department of Revenue did not specify the dollar amount for every credit; therefore, the sum of credits not reported individually is listed in Table 3 as “Other.”

Table 3: Individual Tax Credits, 1998-2007¹

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	Totals
\$140 Homeowner Income	\$24,619,868										\$24,619,868
Adoption	\$204,476										\$204,476
Alternative Energy Production	\$40,112	\$20,858	\$11,090	\$16,982	\$11,174	\$13,312					\$113,528
Alternative Energy Systems	\$712,228	\$677,311	\$640,431	\$445,967	\$300,489	\$228,283	\$3,220	\$3,555	\$5,187	\$6,649	\$3,023,320
Alternative Fuel	\$25,219	\$19,109					\$2,924	\$3,215	\$3,375	\$3,400	\$57,242
Biodiesel Blending/Storage Tank	\$3,063	\$1,651									\$4,714
College Contribution	\$239,072	\$246,533	\$206,886	\$171,903	\$148,470	\$166,369	\$165,451	\$169,944	\$153,277	\$131,090	\$1,798,995
Contractor's Gross Receipts	\$1,775,704	\$1,657,462	\$1,024,102	\$804,843			\$649,632	\$586,040	\$620,375	\$485,259	\$7,603,417
Dependent Care Assistance	\$13,430	\$9,755	\$8,818	\$6,208	\$8,484	\$3,897	\$538	\$296	\$3,697	\$1,605	\$56,728
Developmental Disability Contribution	\$9,110	\$1,000	\$2,715	\$1,050	\$0						\$13,875
Elderly Care	\$49,966	\$53,497	\$55,257	\$27,911	\$21,041	\$27,493	\$64,247	\$54,657	\$28,611	\$78,866	\$461,546
Elderly Homeowner/Renter	\$7,589,205	\$7,482,107									\$15,071,312
Empowerment Zone	\$500	\$17,201	\$969	\$365	\$0						\$19,035
Energy Conservation	\$8,090,667	\$7,933,053	\$5,623,446	\$3,098,479	\$2,440,965	\$1,305,788	\$201,445	\$141,693	\$132,907	\$130,774	\$29,099,217
Film Production Employment	\$16,806	\$0									\$16,806
Film Qualified Expenditure	\$26,486	\$2,337									\$28,823
Geothermal Systems	\$121,306	\$89,234					\$40,193	\$38,336	\$41,616	\$52,647	\$383,332
Health Insurance for Uninsured Montanans	\$525,501	\$559,023									\$1,084,524
Historic Property Preservation	\$222,787	\$200,670	\$51,297	\$97,748	\$17,810	\$74,777	\$71,980	\$28,759	\$7,788	\$15,275	\$788,891
Infrastructure User Fee	\$24,311	\$778,095					\$0	\$0	\$27	\$0	\$802,433
Insure Montana Small Business Health Insurance	\$2,189,770	\$1,832,523	\$517,110	\$427,460	\$137,398	\$61,113	\$93,618	\$70,666	\$71,773	\$46,956	\$5,448,387
Investment							\$4,765	\$7,657	\$5,635	\$14,940	\$32,997
Mineral Exploration	\$9,507	\$8,920					\$893,841	\$192	\$15		\$912,475
Montana Capital Company	\$15	\$25					\$170,001	\$165,498	\$183,441	\$249,456	\$768,436
Oil Seed Crushing/Biodiesel Facility	\$8,688	\$133,415									\$142,103
Qualified Endowment	\$2,786,993	\$3,164,764	\$2,491,431	\$2,502,605	\$2,138,608	\$1,610,509	\$7,410,957	\$6,960,128	\$5,547,290	\$3,191,545	\$37,804,830
Recycling	\$386,110	\$757,543	\$410,815	\$307,678			\$102,071	\$261,529	\$95,489	\$257,108	\$2,578,343
Research Activities	\$119,743	\$137,333					\$7,289	\$994	\$3,056		\$268,415
Rural Physicians	\$230,590	\$208,980	\$252,400	\$336,829	\$338,643	\$405,666	\$284,082	\$289,738	\$257,526	\$277,813	\$2,882,267
Other			\$814,152	\$808,488	\$178,460	\$364,774	\$386	\$0			\$2,166,260
Totals	\$50,041,233	\$25,992,399	\$12,110,919	\$9,054,516	\$5,741,542	\$4,261,981	\$10,166,640	\$8,782,897	\$7,161,085	\$4,943,383	\$138,256,595

CORPORATE TAX CREDITS

Corporations used \$25.4 million in tax credits between 1998 and 2007, dedicating 2.4 percent of their tax liability—a nearly identical proportion to that dedicated by individual taxpayers—across a similarly broad range of tax credit programs. Table 4 also contains an “Other” category for the aforementioned reason.

Table 4: Corporate Tax Credit Credits, 1998-2007¹²

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	Totals
Alternative Fuel Motor Vehicle Conversion	\$23,500	\$16,000	\$0	\$50	\$12,267	\$3,000	\$7,000	\$2,760			\$64,577
Alternative Energy Production	\$273	\$28,452									\$28,725
Biodiesel Blending and Storage	\$0	\$7,559									\$7,559
College Contribution	\$6,265	\$9,194	\$4,449	\$4,571	\$6,480	\$5,413	\$6,737	\$8,221	\$8,993	\$6,676	\$66,999
Contractors Gross Receipts	\$1,393,906	\$1,717,148	\$703,319	\$1,142,370	\$972,698	\$955,804	\$1,048,955	\$709,652	\$847,950	\$906,014	\$10,397,816
Dependent Care Assistance	\$0	\$50	\$50	\$0	\$50	\$1,672	\$4,790	\$1,846			\$8,458
Disability Insurance Premium									\$7,468	\$6,820	\$14,288
Employer Disability Insurance					\$19,433	\$18,888					\$38,321
Empowerment Zone	\$0	\$0	\$0	\$948							\$948
Film Production	\$9,007	\$0									\$9,007
Geothermal System	\$500	\$0									\$500
Health Insurance for Uninsured Montanans	\$111,786	\$201,593	\$118,476	\$91,543			\$1,219	\$7,566			\$532,183
Historical Building	\$43,370	\$129,479	\$50	\$39,876	\$111,843	\$30,948	\$12,884	\$1,709			\$370,159
Increasing Research Activities	\$1,277,447	\$430,038	\$758,532	\$77,212	\$311,483	\$352,236	\$684,774	\$13,031			\$3,904,753
Infrastructure Users Fee	\$1,345,829	\$622,928	\$50	\$685,134	\$814,362	\$533,813	\$36,295	\$100			\$4,038,511
Insure Montana	\$1,057,951	\$404,942									\$1,462,893
Investment									\$1,657	\$19,311	\$20,968
Mineral Exploration Incentive	\$1,831	\$1,212									\$3,043
Montana Capital Company	\$0	\$57,363	\$45,374	\$26,809	\$2,716	\$934	\$2,695	\$9,047	\$15,541	\$62,112	\$222,591
Montana Recycling	\$102,037	\$81,892	\$39,700	\$17,905	\$2,718	\$5,440	\$119,060	\$87,912	\$54,290	\$140,544	\$651,498
New/Expanded Industry	\$4,311	\$83,570	\$84,708	\$14,659			\$994	\$1,721			\$189,963
Oilseed Crushing/Biodiesel Production	\$500	\$0									\$500
Qualified Endowment	\$174,337	\$160,667	\$121,753	\$106,490	\$117,618	\$425,846	\$622,099	\$703,420	\$462,002	\$313,675	\$3,207,907
Other									\$129,758	\$112,027	\$241,785
Totals	\$5,552,850	\$3,952,087	\$1,876,461	\$2,207,567	\$2,371,668	\$2,333,994	\$2,547,502	\$1,546,985	\$1,527,659	\$1,567,179	\$25,483,952

A WELL-ESTABLISHED PRECEDENT

As documented by this report, the practice of providing credits to Montana taxpayers who donate to charitable, including religious, endeavors is well-established. The proposed education tax credit seeks to “ensure that all parents, regardless of means, have the opportunity to choose an educational venue that works best for their child”¹³ and thus falls firmly within this tradition of using tax policy to benefit Montana’s citizens.

Moreover, there is already a clear precedent in Montana for tuition scholarships to pre-K through 12 private or public schools funded by tax credits. The first is the College Contribution Credit, which allows for funds to be used at private, religious institutions. Second, the Dependent Care Assistance Credit can be used for day care services provided at faith-based centers.

The third is an even more direct precedent. The Qualified Endowment Credit, which provides credits to taxpayers who support any of more than a thousand nonprofit organizations with a wide variety of missions, allows donations to flow to religious foundations.¹⁴ Some of these organizations provide scholarships for students to attend religious K through 12 schools.

Qualified endowments receiving support through the tax credit include the Canton Church Project, Holy Rosary Health Center, Diocese of Great Falls, Episcopal Church of the Incarnation, First Presbyterian Church and Hope Lutheran Church Trust Fund. The Qualified Endowment Credit also funds foundations like the Hawkins Scholarship Foundation and the Peggy L. Unrau Scholarship Foundation, which award educational scholarships for use at a post-secondary student’s school of choice, including religious institutions.¹⁵ Others endowments benefit K through 12 private schools, such as Great Falls Montessori School and Children’s House Montessori School, and still others support religious schools, such as Blessed Trinity Catholic School and Heritage Christian School.¹⁶ And some of these endowments for religious schools pay for tuition scholarships for students.¹⁷

The credit created by the proposed educational tax credit program builds upon the Qualified Endowment Credit but is distinct in three important ways.¹⁸ First, the new program will encourage charitable giving to scholarship organizations that support children in foster care and low- and middle-income students from pre-K through 12th grade. The scholarship granting organizations would exist solely to award scholarships. This would give taxpayers the option to donate to foundations with broad or multi-faceted missions, as in the Qualified Endowment Credit, or to a streamlined, targeted fund for scholarships, as in the proposed tax credit program.

Second, the new program will contain statutory safeguards to ensure that taxpayer funds are disbursed efficiently and according to the spirit of the bill. For instance, the bill would require scholarship granting organizations to allocate at least 95 percent of their revenue for scholarships¹⁹ (qualified endowments can only fund scholarships through interest on the principal²⁰). Those organizations would be prohibited from setting aside awards for specific institutions or otherwise restricting options available to students. Neither of the prior two stipulations are imposed upon qualified endowments currently granting scholarships. The bill further requires scholarship granting organizations to register with the Department of Revenue and the Office of Public Instruction. This will provide accountability and allow policymakers to track scholarship funding.

Third, the new program would increase taxpayers' incentive to donate. The credit would be set at 70 percent of a taxpayer's contribution. (The maximum contributions would be set at \$1,000 for an individual, \$2,000 per married couple and \$90,000 for a corporation.) The Qualified Endowment Credit rewards planned giving up to \$10,000 for individuals, couples and corporations at 40 percent (20 percent for businesses that donate outright).

CONCLUSION

The evidence advanced in this report demonstrates that using tax credits to fund scholarships for students is both well-established and sound practice. Three existing credits allow taxpayer funds to flow to faith-based organizations, and one of those, the Qualified Endowment Credit, rewards contributions to more than a thousand charitable organizations, including some that award tuition scholarships for use at private schools—secular and religious. The new education tax credit program would formalize and expand that practice while providing safeguards to ensure that scholarship granting organizations live up to their promise.

In addition to building on Montana policy, a tuition scholarship credit program would place Montana on a growing list of states that have enacted such a measure. Other states, like Arizona, Florida, Iowa, Pennsylvania and Rhode Island, have all successfully provided greater educational options to meet the specific needs of their students. A tuition scholarship credit for students from foster care and low- and middle-income families would join more than 30 existing tax credit programs and add to Montana's long tradition of rewarding taxpayers who support charitable organizations or make investments policymakers deem socially and economically valuable.

ENDNOTES

- 1 DiPerna, P. (2008). *Montana's opinion on K-12 education and school choice*. Indianapolis, IN: Friedman Foundation for Educational Choice.
- 2 SB 342. Retrieved March 3, 2009, from <http://data.opi.mt.gov/bills/2009/billpdf/SBo342.pdf>.
- 3 Governor's Office of Budget and Program Planning. (2009). *Fiscal note 2011 biennium*. Helena, MT.
- 4 Based on the original bill, scholarships would have been \$2,500. On March 5, 2009, a "grey" (or amended) bill was introduced that reduced the scholarship amount to \$2000.
- 5 Alexander, K. (1983). Adam Smith, religion, and tuition tax credits. *Journal of Education Finance*, 8, 528-536; Mallen, B., & Kranz, J. (1989). The effect of tuition-tax-credit deduction proposals on social values: An analysis of the probable costs and consequences. *Journal of Education Finance*, 15, 244-268.
- 6 Montana makes another credit available to offset taxes paid to other states. From 1998 to 2007, the credit totaled \$158.7 million.
- 7 One of the credits for individual taxpayers was a one-time credit in 2007 designed to address a budget surplus. This credit totaled almost \$25 million. Omitting this credit brings the 1998-2007 total to \$139.1 million, which equals 2% of total tax liability during that period.
- 8 Alme, K. (2002). *Biennial report of the Montana Department of Revenue: July 1, 2000 to June 30, 2002*. Helena, MT: Montana Department of Revenue; Bryson, M. (2000). *Biennial report of the Montana Department of Revenue: July 1, 1998 to June 30, 2000*. Helena, MT: Tax Policy and Research, Montana Department of Revenue; Bucks, D. (2006). *Biennial report July 1, 2004 to June 30, 2006*. Helena, MT: Montana Department of Revenue; Bucks, D. (2009). *Biennial report: July 1, 2006 to June 30, 2008*. Helena, MT: Montana Department of Revenue; Hoffman, D. (2004). *Biennial report: July 1, 2002 to June 30, 2004*. Helena, MT: Montana Department of Revenue.
- 9 Montana Department of Revenue. (n. d.). *Corporate license tax expenditures*. Helena, MT; Montana Department of Revenue. (n. d.). *Tax expenditures*. Helena, MT.
- 10 Carroll College. (n. d.). Montana tax credit. Retrieved March 6, 2009, from <http://www.carroll.edu/giving/taxcredit.cc>.

- 11 During the time period covered in these data, some credits changed names. In such cases, funds are categorized under the most current name.
- 12 Corporate tax credits are reported in fiscal years, while individual tax credits are reported in calendar (i.e., tax) years. For ease of presentation, all figures are presented using the calendar year system. The year listed for corporate tax credits represents the first year of the fiscal cycle. For example, corporate credits reported for 2007 represent the fiscal year 2007-08.
- 13 SB 342, p. 1.
- 14 Governor’s Task Force on Endowments and Philanthropy. (n. d.). Montana organizations with endowments. Retrieved March 6, 2009, from <http://www.endowmontana.org/mtmap.html>.
- 15 Hawkins Scholarship Foundation. (2008). Form 990, 2007. Great Falls, MT: Internal Revenue Service; Peggy Unrau Scholarship Foundation. (2008). Form 990, 2007. Polson, MT: Internal Revenue Service. The Montana Community Foundation includes a list of scholarship foundations, <http://www.mtcf.org/applications.html>.
- 16 Governor’s Task Force on Endowments and Philanthropy. (n. d.). Montana organizations with endowments. Retrieved March 6, 2009, from <http://www.endowmontana.org/mtmap.html>.
- 17 The use of endowment funds for scholarships was confirmed in a March 6, 2009 telephone conversation with Don Peoples, Director of the Butte Central Education Foundation and by email on March 9, 2007, with Dr. Patrick Haggarty, Superintendent of Schools, Diocese of Helena.
- 18 Governor’s Task Force on Endowments and Philanthropy. (n. d.). The Montana endowment tax credit. Retrieved March 5, 2009, from <http://www.endowmontana.org/legislation.html>.
- 19 Based on the original bill, scholarship granting organizations would have allocated at least 90 percent of their revenue to scholarships. On March 5, 2009, a “grey” (or amended) bill was introduced that increased the allocation to 95 percent.
- 20 MCA 15-30-165.

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