

IN THE SENATE

SENATE BILL NO. 1281

BY EDUCATION COMMITTEE

AN ACT

RELATING TO THE IDAHO PARENTAL CHOICE TAX CREDIT; AMENDING SECTION 63-3029N, IDAHO CODE, TO REVISE A PROVISION REGARDING THE TOTAL AMOUNT OF TAX CREDITS AUTHORIZED FOR ALL TAXPAYERS; AND DECLARING AN EMERGENCY.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-3029N, Idaho Code, be, and the same is hereby amended to read as follows:

63-3029N. IDAHO PARENTAL CHOICE TAX CREDIT. (1) There is hereby established the Idaho parental choice tax credit.

(2) For the purpose of this section:

(a) "Academic instruction" means kindergarten through grade 12 instruction that includes, at a minimum, English language arts, mathematics, science, and social studies.

(b) "Eligible student" means:

(i) A full-time resident of Idaho who is five (5) to eighteen (18) years of age; or

(ii) A child with disabilities requiring ancillary personnel as defined in section 33-2001, Idaho Code, who is five (5) to twenty-one (21) years of age.

(c) "Federal poverty level" means the federal poverty guidelines published and updated annually by the United States department of health and human services.

(d) "Nonpublic school" means a private school, microschool, or learning pod that provides academic instruction to eligible students, which academic instruction may be provided in person, online, virtually, or through any combination thereof, and such academic instruction is:

(i) Provided by an accredited school; or

(ii) Documented in a portfolio of evidence or learning record that indicates the student's growth. Records of the instruction shall be retained sufficient to establish that the instruction meets the requirements of paragraph (a) of this subsection and shall be available in the case of any audit by the state tax commission.

(e) "Parent" means an eligible student's parent, legal guardian, or foster parent, if such foster parent is licensed and in good standing pursuant to chapter 12, title 39, Idaho Code.

(f) "Qualified expenses" means kindergarten through grade 12 tuition or fees for attending a nonpublic school, tutoring, nationally standardized assessments, assessments used to determine college admission, advance placement examinations, industry-recognized certification exams, and preparatory courses for nationally standardized assessments. "Qualified expenses" also means costs for textbooks, curricula used for kindergarten through grade 12 academic instruction, and transporta-

1 tion costs to and from a facility incurred for the purposes of receiving  
2 kindergarten through grade 12 academic instruction, including public  
3 transportation, ridesharing, and the use of privately owned vehicles,  
4 for which reimbursement shall use the mileage rate applicable to state  
5 employee travel in effect at the time the travel occurs. "Qualified ex-  
6 penses" shall not include expenses paid with funds received from a grant  
7 under section 33-1031, Idaho Code, or reimbursement pursuant to section  
8 33-4603, Idaho Code.

9 (3) The Idaho parental choice tax credit shall be administered as pro-  
10 vided in this section. For tax year 2025 and subsequent tax years, there  
11 shall be allowed a refundable tax credit up to five thousand dollars (\$5,000)  
12 per eligible student against the tax imposed by this chapter for any parent:

13 (a) Who incurs qualified expenses of up to five thousand dollars  
14 (\$5,000) per eligible student during the tax year, if each eligible  
15 student is a dependent and is properly claimed on the parent's full-time  
16 Idaho resident individual income tax return; and

17 (b) Who timely and properly files an application.

18 (4) The state tax commission shall prescribe forms for the purpose of  
19 applying for and claiming the credit authorized by this section. The forms  
20 shall identify the civil and criminal penalties provided in sections 63-3046  
21 and 63-3075, Idaho Code, for providing false and fraudulent tax information  
22 and shall require the parents to affirm under oath that the information sub-  
23 mitted in the form is true and accurate. The forms shall also require any  
24 parent who has previously received a credit authorized by this section to  
25 certify and attach evidence that the parent completed the satisfaction and  
26 engagement survey required under subsection (14) of this section. Begin-  
27 ning in January 2026, and each year thereafter, the application period shall  
28 open on January 15 and shall remain open for a period of sixty (60) days. The  
29 state tax commission shall notify parents whether they will receive a credit  
30 award. Such notification must be within thirty (30) days of the close of the  
31 application period.

32 (5) The state tax commission shall calculate the total amount of cred-  
33 its claimed in completed applications that qualify under subsection (3) of  
34 this section. If the total amount does not exceed the annual maximum limit  
35 provided in subsection (12) of this section, the state tax commission shall  
36 re-open the application period to receive new applications. Such applica-  
37 tions shall be accepted until August 15 or until the annual maximum limit is  
38 reached, whichever is first.

39 (6) Credits shall be issued on a yearly basis. For applications re-  
40 ceived in 2026, the state tax commission shall give priority to parents whose  
41 modified adjusted gross income as indicated on their most recently filed tax  
42 return does not exceed three hundred percent (300%) of the federal poverty  
43 level. Starting in the 2027 application period, the state tax commission  
44 shall give priority status to applications from parents who received a  
45 credit in the prior year, followed by parents whose taxable income as indi-  
46 cated on their most recently filed tax return does not exceed three hundred  
47 percent (300%) of the federal poverty level.

48 (7) The refundable tax credit limit under subsection (3) of this sec-  
49 tion shall be increased to seven thousand five hundred dollars (\$7,500) for  
50 each eligible student up to twenty-one (21) years of age who is also con-

1 sidered a child with disabilities requiring ancillary personnel as defined  
2 in section 33-2001, Idaho Code. Parents claiming an increased credit under  
3 this subsection shall document the student's diagnosis or other determina-  
4 tion made by an Idaho licensed health care provider or the student's eligi-  
5 bility for services under an individualized education program in accordance  
6 with the federal individuals with disabilities education act.

7 (8) The refundable tax credit provided in this section, including the  
8 advance payment, shall not constitute Idaho taxable income.

9 (9) The application forms pursuant to subsection (4) of this section  
10 shall permit parents to elect a onetime advance payment of the credit for  
11 each eligible student. When a parent elects to receive an advance payment  
12 pursuant to this subsection, the credit shall be issued in one (1) install-  
13 ment, to be paid within sixty (60) days of notifying a parent of such credit  
14 award but not later than August 30. The state tax commission shall approve  
15 advance payments only for eligible students whose parents' modified ad-  
16 justed gross income as indicated on their most recently filed tax return  
17 does not exceed three hundred percent (300%) of the federal poverty level.  
18 Advance payments made under this subsection may be spent only on qualified  
19 expenses for which the parent may claim a credit under the provisions of this  
20 section. In order to enable parents whose modified adjusted gross income  
21 does not exceed three hundred percent (300%) of the federal poverty level to  
22 pay for a student's education, an advance payment that is expended on quali-  
23 fied expenses for an eligible student may be claimed for such expenditure in  
24 that year and a parental choice tax credit shall be allowed on a parent's tax  
25 return for that year, subject to the remaining requirements of this chapter.

26 (10) Parents claiming the Idaho parental choice tax credit shall:

27 (a) Claim the credit for only qualified expenses incurred on behalf of  
28 an eligible student;

29 (b) Not claim the credit for any semester in which a student was  
30 enrolled full-time or part-time in a public school, public charter  
31 school, public virtual charter school, public magnet school, or  
32 part-time public kindergarten.

33 (c) Not claim the credit for any tuition or fees related to academic in-  
34 struction provided by the parent to such parent's eligible student;

35 (d) Ensure no other parent claims a credit for an eligible student. In  
36 the event more than one (1) parent claims a credit under this section for  
37 the same eligible student in the same year, the provisions of section  
38 63-3029L(2), Idaho Code, shall be used to determine which parent is en-  
39 titled to receive the credit; and

40 (e) Fill out and submit the satisfaction and engagement survey provided  
41 for in subsection (14) of this section. No parent shall be eligible to  
42 receive a credit under the provisions of this section in a subsequent  
43 year if such parent has not submitted such survey for the last year that  
44 such parent received the credit.

45 (11) If the credit exceeds the tax imposed by this chapter, the excess  
46 credit amount shall be refunded to the taxpayer. The state tax commission  
47 shall design the tax return forms to account for advance payment of the  
48 credit when calculating the tax imposed by this chapter.

49 (12) The total amount of tax credits authorized for all taxpayers under  
50 this section shall not exceed forty-eight million dollars (\$48,000,000)

1 in tax year 2026, forty seven million five hundred thousand dollars  
2 (\$47,500,000) in tax year 2027, and fifty million dollars (\$50,000,000) each  
3 tax year thereafter. In the event the total amount of claims for tax credits  
4 allowed by this section exceeds forty-eight million dollars (\$48,000,000)  
5 in tax year 2026, forty seven million five hundred thousand dollars  
6 (\$47,500,000) in tax year 2027, or fifty million dollars (\$50,000,000)  
7 thereafter, the credits shall be allowed in full to parents whose appli-  
8 cations were properly and timely filed and who have priority status under  
9 subsection (6) of this section, followed by the remaining parents who filed  
10 complete applications on a first-come, first-served basis, until the an-  
11 nual maximum limit is reached. The state tax commission shall create and  
12 maintain a waiting list demonstrating who would be eligible on a first-come,  
13 first-served basis if the annual maximum limit for credits allowed under  
14 this section is increased.

15 (13) (a) Beginning with the first regular session of the sixty-ninth  
16 Idaho legislature in 2027, the state tax commission shall provide an  
17 annual report to the governor, the senate local government and taxation  
18 committee, the house revenue and taxation committee, and the joint fi-  
19 nance-appropriations committee that shall include:

20 (i) The total amount of tax credits provided each year under this  
21 section;

22 (ii) The number of parents who applied each year for the Idaho  
23 parental choice tax credit;

24 (iii) The amount of the average tax credit allowed;

25 (iv) The number of credits distributed to parents with an adjusted  
26 gross income below three hundred percent (300%) of the federal  
27 poverty level;

28 (v) The number of parents who applied each year for the advance  
29 payment pursuant to subsection (9) of this section, the number of  
30 advance payments awarded, and the median amount of the advance  
31 payments awarded;

32 (vi) The geographic area of parents applying for the credit;

33 (vii) The number of eligible students on the waiting list for each  
34 year; and

35 (viii) A list of the categories of qualified expenses for which  
36 recipients used the tax credit, which shall include the dollar  
37 amounts for each category listed in subsection (2) (f) of this sec-  
38 tion.

39 (b) The report shall not include any personally identifying informa-  
40 tion of eligible students, their parents, or their households.

41 (14) Beginning in 2026, and each year thereafter, the legislative ser-  
42 vices office shall deliver to each parent who has received a tax credit under  
43 the provisions of this section a parent satisfaction and engagement survey  
44 to evaluate the performance of the nonpublic school that the eligible stu-  
45 dent attended. The survey shall include but not be limited to the quality of  
46 school leadership, school safety, student engagement, quality of academic  
47 instruction, and quality of learning outcomes. The state tax commission  
48 shall provide the legislative services office with contact information to  
49 identify each parent receiving a credit and any other information required  
50 for the legislative services office to properly deliver the surveys required

1 under this subsection, and shall deliver the surveys to the parents no later  
2 than January 15 each year. Each parent shall complete the survey and submit  
3 the completed survey to the legislative services office no later than March  
4 15. Beginning in 2027, the legislative services office shall submit a report  
5 to the governor, the senate local government and taxation committee, the  
6 house revenue and taxation committee, and the joint finance-appropriations  
7 committee that shall include a summary of the survey results.

8 (15) Any taxpayer receiving an advance payment or claiming a tax credit  
9 without submission of a timely and properly prescribed form shall be ineli-  
10 gible to receive such payment or claim such credit. The state tax commission  
11 shall deny or recapture credits claimed by a parent for expenditures not au-  
12 thorized by the provisions of this section. If a parent has received an ad-  
13 vance payment for an eligible student in a previous year, the parent shall  
14 not claim the credit for qualified expenses incurred in a year that a stu-  
15 dent ceases to qualify as an eligible student, except for any portion of the  
16 credit that exceeds the amount of the advance payment received. If a student  
17 ceases to qualify as an eligible student and the parent has already received  
18 the credit for that year, an amount of the credit, not exceeding the amount  
19 of the advance payment received, shall be repaid to or recovered by the state  
20 tax commission and deposited into the general fund.

21 (16) Parents who claim the credit on a tax return without receiving  
22 prior approval of an application may not receive a credit, and the state  
23 shall have no liability to such parent.

24 (17) The state tax commission shall, in as close to real time as practi-  
25 cable, make available on its website the annual maximum limit, the cumula-  
26 tive amount of credits claimed in applications under this section, and the  
27 cumulative amount of advance payments issued under this section until the  
28 annual maximum limit is reached.

29 (18) The state tax commission shall also keep records of the total ap-  
30 plications for credits and total claim of credits that exceed the annual max-  
31 imum limit.

32 (19) The state tax commission shall ensure that parents of eligible  
33 students receive notice in the application that participation in the program  
34 is a parental placement under 20 U.S.C. 1412 of the federal individuals with  
35 disabilities education act, along with an explanation of the rights that  
36 parentally placed students possess under the federal individuals with dis-  
37 abilities education act, including eligibility for equitable services, and  
38 any applicable state laws and regulations.

39 (20) The provisions of this section shall not be construed to permit  
40 any government agency to exercise control or supervision over any nonpublic  
41 school or to give the state authority to regulate the education of nonpublic  
42 school students. A nonpublic school that enrolls a student whose parent  
43 directs a refundable tax credit to the school pursuant to this section is not  
44 an agent of the state or federal government. A nonpublic school shall not  
45 be required to alter its creed, practices, admissions policy, or curriculum  
46 in order to accept students whose payment of tuition or fees stems from a  
47 refundable tax credit under this section.

48 SECTION 2. An emergency existing therefor, which emergency is hereby  
49 declared to exist, this act shall be in full force and effect on and after its  
50 passage and approval.