

**House Bill 9 Conference Committee
House Bill 9 Testimony**

**Belinda Glavic Grassi CPA, MA
Vice President, Board of Education: Riverside Local School District (Lake)**

Good Evening Chairman Jones and members of the committee. Thank you for giving members of the public, the community, and other interested parties the opportunity to speak to you to provide individualized insights on the matter of school choice and the funding of the proposed expansion of the EdChoice voucher program.

My name is Belinda Grassi, and I am a C.P.A. licensed by the Accountancy Board of Ohio since 1988. I am a two-time graduate of John Carroll University with a Bachelor of Science in Business Administration / Accounting as well as a Master of Arts in Nonprofit Administration. I am the Chief Financial Officer at Help Foundation, Inc. located in Euclid, Ohio. Help Foundation provides residential living and day supporting services to those with disabilities throughout Northeast Ohio. I hold and maintain a valid school treasurer license issued by the Ohio Department of Education since 2013. I previously held a post as treasurer of Ledgemont Local School. I have been a member of the Riverside Board of Education since January 1, 2010.

My colleagues and I from the Riverside Local School District (Lake County) have chosen to speak to you this evening both as a collective group who can speak to the effects of House Bill 9 specifically related to our school district, but also as individuals with separately identifiable individual concerns and perspectives on variety of different aspects regarding the fundamental issues surrounding EdChoice and voucher funding for residents all across the State of Ohio.

I have chosen to speak to you this evening not only as a Board Member, but also as a parent, as a taxpaying community member of my local school district and as a taxpaying resident of The State of Ohio. I speak to you from my vantage as a 30+ year CPA and finance professional. Equity in taxation is of great concern to me.

As a tax professional, I thought it should be noted that many of the educational institutions that will see additional funding from EdChoice vouchers are non-profit and private institutions with the ability to generate large amounts of privately funded donations via related-party foundations and religious institutions that rely on individual giving as part of their funding mechanism. Many of these foundations are asset-rich and can provide sizable income-streams to the private institutions they serve.

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In my local community, an announcement was made this past Sunday of a \$1 million dollar gift to Notre Dame Cathedral Latin High School by a Cathedral Latin alumni – Class of 1954. These philanthropically gifted funds will be used for student tuition scholarships that will be awarded to many of the 720 current and future students – some of whom are well beyond modest means.

The same institutions that benefit from philanthropy such as this are the same institutions who will also see EdChoice funding increases under the performance-based voucher method. The very same families that will benefit from philanthropy, would also most likely be eligible for EdChoice vouchers under the income-based method. EdChoice vouchers combined with private scholarships will only encourage more and more families to abandon public education and the limitless opportunities provided within the halls of our publicly funded institutions.

I have many questions on this matter – as a tax professional.

- When layered, will combined voucher and potential scholarship funds exceed the cost of a private institution's actual tuition?
- Will families who receive EdChoice vouchers be required to report to the State of Ohio the amount of scholarships awarded by the private institution?
- Will scholarships be required used to pay tuition dollars first – before the application of EdChoice voucher funds? What if the scholarships are not awarded until *after* the EdChoice voucher application period?
- Will families be taxed on the value of excess scholarship and voucher funds in the same way as college-age families are taxed on excess student scholarships at both the federal and state tax level?
- Will these excess funded dollars be included in federal adjusted gross income and become taxable income for both federal and state income tax purposes?
- In effect, will publicly levied property tax dollars be supplanted from public school budgets to fund EdChoice vouchers and could those publicly levied supplanted funds in turn become additional Federal and Ohio Taxable Income on which the final recipient will be taxed?

And more questions:

- Are potential recipients aware of the possibility for tax consequences that might be required by federal law under the Internal Revenue tax code?

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- Are you as committee members aware of the unintended tax ramifications this may have on unsuspecting recipients?

And finally:

- How will this be reported?
- Will a new tax form need to be created to report these funds to recipient individuals (like the current 1098-T that is used for college tuition and scholarship reporting)?
- Keeping in mind that private inurement is disallowed by federal tax code, how will the State of Ohio ensure that this planned expansion of EdChoice vouchers will not put Ohio residents at risk for violating (intended or unintended) federal tax law?

As legislators and committee members, I challenge you to consider these questions:

- How is it that only college scholarship and tuition is considered when determining taxable income at the federal level (which then trickles down to the State income tax form)?
- Should we not also consider that all Ohio scholarship and voucher funding be considered taxable to include those funds provided to K-12 students as well?
- Why should we consider one form of assistance taxable and the same form of assistance provided to a different age-group non-taxable?

Perhaps the State of Ohio Department of Taxation should review this for taxability throughout the state for all residents who receive private school scholarship or voucher. Perhaps the tax revenue generated from this as an income source could be a way to partially pay for a vouchers instead of taking funding from our public-school district budgets.

Thank you for allowing me to speak on this topic that is highly important to me, my district, and to residents of my community who have asked me to speak on their behalf as a representative of their school board. Thank you for allowing me to present a very different point of view. I appreciate the time and commitment you show in carefully examining all sides of this issue and I continue to remain hopeful that the resolution proposed will be fair to all students and residents of The State of Ohio.