

SENATE BILL 423

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Q3

1999 Regular Session  
9lr0851  
CF 9lr2585

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By: **Senators Hogan, Lawlah, Neall, Munson, Teitelbaum, and Mitchell  
Mitchell, Middleton, and Ruben**

Introduced and read first time: February 5, 1999  
Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments  
Senate action: Adopted  
Read second time: March 25, 1999

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Critical Skills Training - Income Tax Credit for Individuals ~~and Employers~~**

3 FOR the purpose of allowing an individual a credit against the State income tax for  
4 certain amounts paid by the individual during the taxable year for certain  
5 tuition and fees for certain approved educational programs for the individual or  
6 the individual's spouse or dependents, subject to certain limitations and  
7 conditions; ~~allowing an employer a credit against the State income tax for~~  
8 ~~certain amounts paid by the employer during the taxable year for certain tuition~~  
9 ~~and fees for certain approved educational programs for the employer's~~  
10 ~~employees in the State, subject to certain limitations;~~ requiring the Secretary of  
11 the Maryland Higher Education Commission after consultation with certain  
12 persons to approve certain educational programs as qualifying for the tax credits  
13 and to designate work-related skills and occupations that are in short supply  
14 and are critical to Maryland's economic development strategy; defining certain  
15 terms; providing for the application of this Act; and generally relating to certain  
16 income tax credits for individuals ~~and employers~~ for certain amounts paid for  
17 certain approved educational programs.

18 BY adding to  
19 Article - Tax - General  
20 Section 10-712  
21 Annotated Code of Maryland  
22 (1997 Replacement Volume and 1998 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
24 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Tax - General**

2 10-712.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
4 INDICATED.

5 (2) "APPROVED INDUSTRY CERTIFICATE PROGRAM" MEANS A PROGRAM  
6 OF STUDY THAT:

7 (I) IS PROVIDED IN MARYLAND;

8 (II) IS RECOGNIZED BY NATIONAL ACCREDITING CORPORATIONS  
9 AND ASSOCIATIONS; AND

10 (III) ON SUCCESSFUL COMPLETION, ISSUES AN INDIVIDUAL A  
11 CERTIFICATE OF PROFICIENCY IN A SPECIFIC WORK-RELATED SKILL OR  
12 OCCUPATION THAT IS IN SHORT SUPPLY AND CRITICAL TO MARYLAND'S ECONOMIC  
13 DEVELOPMENT STRATEGY, AS DESIGNATED BY THE MARYLAND HIGHER EDUCATION  
14 COMMISSION UNDER SUBSECTION (E) OF THIS SECTION.

15 (3) "APPROVED PROGRAM" MEANS A PROGRAM THAT IS OFFERED AT AN  
16 ELIGIBLE EDUCATIONAL INSTITUTION AND THAT:

17 (I) PROVIDES TRAINING IN WORKPLACE DISCIPLINES AND SKILLS  
18 IN SHORT SUPPLY AND CRITICAL TO MARYLAND'S ECONOMIC DEVELOPMENT  
19 STRATEGY, AS DESIGNATED BY THE MARYLAND HIGHER EDUCATION COMMISSION  
20 UNDER SUBSECTION (E) OF THIS SECTION; AND

21 (II) IS APPROVED BY THE MARYLAND HIGHER EDUCATION  
22 COMMISSION UNDER SUBSECTION (E) OF THIS SECTION AS QUALIFYING FOR THE  
23 TAX CREDIT UNDER THIS SECTION.

24 (4) "ELIGIBLE EDUCATIONAL INSTITUTION" MEANS A MARYLAND  
25 COLLEGE, UNIVERSITY, PRIVATE CAREER SCHOOL, OR OTHER POSTSECONDARY  
26 EDUCATIONAL INSTITUTION THAT IS AN ELIGIBLE EDUCATIONAL INSTITUTION  
27 WITHIN THE MEANING OF § 25A OF THE INTERNAL REVENUE CODE.

28 (5) (I) "QUALIFIED TUITION AND RELATED EXPENSES" MEANS  
29 TUITION AND FEES THAT ARE REQUIRED FOR ENROLLMENT IN AN APPROVED  
30 PROGRAM AT AN ELIGIBLE EDUCATIONAL INSTITUTION OR FOR ENROLLMENT IN AN  
31 APPROVED INDUSTRY CERTIFICATE PROGRAM.

32 (II) "QUALIFIED TUITION AND RELATED EXPENSES" DOES NOT  
33 INCLUDE:

34 1. EXPENSES WITH RESPECT TO ANY COURSE OR OTHER  
35 EDUCATION INVOLVING SPORTS, GAMES, OR HOBBIES, UNLESS THOSE EXPENSES  
36 ARE PART OF A DEGREE PROGRAM; OR

1 2. CHARGES FOR ROOM AND BOARD, STUDENT ACTIVITY  
2 FEES, ATHLETIC FEES, INSURANCE EXPENSES, OR OTHER EXPENSES UNRELATED TO  
3 A STUDENT'S ACADEMIC COURSE OF INSTRUCTION.

4 (B) (1) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, AN  
5 INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT  
6 EQUAL TO 30% OF UP TO \$5,000 PAID BY THE INDIVIDUAL DURING THE TAXABLE YEAR  
7 FOR QUALIFIED TUITION AND RELATED EXPENSES FOR THE INDIVIDUAL OR THE  
8 INDIVIDUAL'S SPOUSE OR DEPENDENTS AND NOT REIMBURSED BY AN EMPLOYER OR  
9 OTHERWISE.

10 (2) (I) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR  
11 THE TAXABLE YEAR EXCEEDS \$80,000, THE CREDIT OTHERWISE ALLOWED UNDER  
12 THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION OF  
13 \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS  
14 \$80,000.

15 (II) IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE  
16 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE  
17 TAXABLE YEAR EXCEEDS \$40,000, THE CREDIT OTHERWISE ALLOWED UNDER THIS  
18 SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$500 OR FRACTION OF \$500 BY  
19 WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$40,000.

20 (III) THE CREDIT UNDER THIS SUBSECTION MAY NOT BE CLAIMED  
21 BY A TAXPAYER WHO MAY BE CLAIMED AS A DEPENDENT ON THE RETURN OF  
22 ANOTHER TAXPAYER FOR THE TAXABLE YEAR.

23 (3) (I) THE INDIVIDUAL ENROLLED IN THE APPROVED PROGRAM OR  
24 APPROVED INDUSTRY CERTIFICATE PROGRAM WITH RESPECT TO WHICH A CREDIT  
25 UNDER THIS SUBSECTION IS ALLOWED SHALL:

26 1. COMMENCE EMPLOYMENT IN THE STATE IN AN  
27 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED  
28 INDUSTRY CERTIFICATE PROGRAM WITHIN 1 YEAR AFTER SUCCESSFUL  
29 COMPLETION OF THE APPROVED PROGRAM OR APPROVED INDUSTRY CERTIFICATE  
30 PROGRAM; AND

31 2. CONTINUE EMPLOYMENT IN THE STATE IN AN  
32 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED  
33 INDUSTRY CERTIFICATE PROGRAM FOR 1 YEAR FOR EACH YEAR THAT A CREDIT  
34 UNDER THIS SUBSECTION WAS ALLOWED WITH RESPECT TO THE APPROVED  
35 PROGRAM OR APPROVED INDUSTRY CERTIFICATE PROGRAM.

36 (II) IF THE INDIVIDUAL ENROLLED IN THE APPROVED PROGRAM  
37 OR APPROVED INDUSTRY CERTIFICATE PROGRAM WITH RESPECT TO WHICH A  
38 CREDIT UNDER THIS SUBSECTION IS ALLOWED FAILS TO SATISFY THE SERVICE  
39 OBLIGATION DESCRIBED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE  
40 CREDIT ALLOWED UNDER THIS SUBSECTION SHALL BE RECAPTURED FOR EACH  
41 YEAR AS TO WHICH THE SERVICE OBLIGATION IS NOT SATISFIED, UNDER  
42 REGULATIONS THAT THE COMPTROLLER ADOPTS.

1 ~~(C)~~ ~~(1)~~ ~~SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS~~  
2 ~~SUBSECTION, AN EMPLOYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX~~  
3 ~~IN AN AMOUNT EQUAL TO 30% OF THE AMOUNT PAID BY THE EMPLOYER DURING~~  
4 ~~THE TAXABLE YEAR FOR QUALIFIED TUITION AND RELATED EXPENSES FOR THE~~  
5 ~~EMPLOYER'S EMPLOYEES IN THE STATE.~~

6 ~~(2)~~ ~~FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS~~  
7 ~~SUBSECTION MAY NOT EXCEED \$1,500 FOR EACH EMPLOYEE ENROLLED IN AN~~  
8 ~~APPROVED PROGRAM OR AN APPROVED INDUSTRY CERTIFICATE PROGRAM.~~

9 ~~(D)~~ (C) (1) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED  
10 THE STATE INCOME TAX IMPOSED FOR THE TAXABLE YEAR, DETERMINED BEFORE  
11 THE APPLICATION OF THE CREDITS UNDER THIS SECTION AND §§ 10-701 AND 10-701.1  
12 OF THIS SUBTITLE BUT AFTER THE APPLICATION OF ANY OTHER CREDIT UNDER  
13 THIS SUBTITLE.

14 (2) THE UNUSED AMOUNT OF THE CREDIT UNDER THIS SECTION FOR  
15 ANY TAXABLE YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

16 ~~(E)~~ (D) (1) AFTER CONSULTATION WITH THE SECRETARY OF BUSINESS  
17 AND ECONOMIC DEVELOPMENT, THE SECRETARY OF LABOR, LICENSING, AND  
18 REGULATION, AND THE APPROPRIATE ADVISORY BOARDS, THE SECRETARY OF THE  
19 MARYLAND HIGHER EDUCATION COMMISSION, EVALUATING SUCH FACTORS AS  
20 MARYLAND'S ECONOMIC DEVELOPMENT STRATEGY AND THE NEEDS OF MARYLAND'S  
21 BUSINESS COMMUNITY:

22 (I) SHALL IDENTIFY AND DESIGNATE THE WORK-RELATED SKILLS  
23 AND OCCUPATIONS THAT ARE IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S  
24 ECONOMIC DEVELOPMENT STRATEGY; AND

25 (II) ANNUALLY SHALL ESTABLISH A LIST OF APPROVED PROGRAMS  
26 AT ELIGIBLE EDUCATIONAL INSTITUTIONS AND APPROVED INDUSTRY CERTIFICATE  
27 PROGRAMS QUALIFYING FOR THE TAX CREDITS UNDER THIS SECTION.

28 (2) (I) ON OR BEFORE NOVEMBER 1 OF EACH YEAR, THE SECRETARY  
29 OF THE MARYLAND HIGHER EDUCATION COMMISSION SHALL SUBMIT THE  
30 PROPOSED DESIGNATION UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION OF THE  
31 WORK-RELATED SKILLS AND OCCUPATIONS THAT ARE IN SHORT SUPPLY AND ARE  
32 CRITICAL TO MARYLAND'S ECONOMIC DEVELOPMENT STRATEGY AND ANY  
33 PROPOSED MODIFICATIONS OF THAT DESIGNATION TO THE JOINT COMMITTEE ON  
34 ADMINISTRATIVE, EXECUTIVE, AND LEGISLATIVE REVIEW FOR REVIEW AND  
35 COMMENT.

36 (II) THE PROPOSED DESIGNATION OF WORK-RELATED SKILLS AND  
37 OCCUPATIONS THAT ARE IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S  
38 ECONOMIC DEVELOPMENT STRATEGY AND ANY PROPOSED MODIFICATION OF THAT  
39 DESIGNATION MAY NOT TAKE EFFECT UNTIL AT LEAST 45 DAYS AFTER SUBMISSION  
40 OF THE PROPOSED ACTION TO THE JOINT COMMITTEE ON ADMINISTRATIVE,  
41 EXECUTIVE, AND LEGISLATIVE REVIEW.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 July 1, 1999, and shall be applicable to all taxable years beginning after December 31,  
3 1998.