

Chapter 690

(House Bill 1014)

AN ACT concerning

College Affordability Act of 2016

FOR the purpose of prohibiting certain public institutions of higher education from referring certain delinquent student accounts or debts to the Central Collection Unit under certain circumstances; requiring certain public institutions of higher education to allow certain students with certain unpaid balances on certain student accounts to register for certain courses under certain circumstances; repealing a certain requirement that up to a certain percentage of a certain Part-Time Grant Program allocation be used for a certain purpose; requiring the College Savings Plans of Maryland Board to develop and implement a certain marketing plan; requiring the Board to submit a certain marketing plan on or before a certain date; requiring the Board to adopt procedures for a State contribution program; requiring the Board to provide certain information in the statements for certain accounts; excluding a certain application from a certain fee; authorizing a State contribution to an investment account under certain circumstances; authorizing a certain application to be made by certain methods; requiring the Board to establish certain documentation and procedures for the submittal of a certain application; requiring the State to provide a certain contribution to certain investment accounts under certain circumstances; requiring the Governor to provide a certain appropriation in certain fiscal years to provide certain State contributions; providing certain priorities for State contributions under certain circumstances; requiring certain account holders to make a certain contribution within a certain period of time to qualify for a certain State contribution; requiring certain State contributions to be provided in a certain calendar year; prohibiting a certain account holder from taking a certain subtraction modification in a certain taxable year; requiring the Board to develop and implement a certain plan by a certain date; allowing certain individuals with certain student loan debt amounts a credit against the State income tax; requiring an application for the tax credit to be made to the Maryland Higher Education Commission by a certain date with a certain assurance; providing for the recapture of a certain tax credit under certain circumstances; requiring the Commission to certify the amount of a certain tax credit by a certain date subject to a certain limitation; requiring a certain taxpayer to attach a certain certification limiting the amount of tax credits that the Commission may approve in a taxable year to income tax returns; requiring the Commission to use certain criteria for prioritizing certain tax credits; providing for a certain subtraction modification under certain circumstances; providing for a refundable tax credit under certain circumstances; requiring the Commission to establish and implement a certain plan by a certain date; requiring the Commission to adopt certain regulations; requiring the Commission and the State Department of Education to collaborate on the development of a certain application for digital devices; ~~requiring a recipient of a certain award to enroll in at least a certain number of credit hours in a certain time~~

~~period~~; establishing certain award amounts for certain financial assistance grants for certain ~~semesters~~ *academic years* subject to certain conditions; limiting the number of years that a certain award may be made except under certain circumstances; defining certain terms; requiring the Board to make a certain report to the General Assembly on or before a certain date; requiring the Commission, in consultation with the Department of Legislative Services, to retain a certain consultant to conduct a certain evaluation of the Office of Student Financial Assistance in the Commission; requiring the Commission and the Department of Legislative Services to report certain findings and recommendations on or before a certain date; providing for the application of certain provisions this Act; and generally relating to college affordability.

BY repealing and reenacting, with amendments,

Article – State Finance and Procurement
Section 3–302(a)
Annotated Code of Maryland
(2015 Replacement Volume)

BY adding to

Article – Education
Section 15–119, 18–114, 18–1905.1, and 18–19A–04.1
Annotated Code of Maryland
(2014 Replacement Volume and 2015 Supplement)

BY repealing and reenacting, without amendments,

Article – Education
Section 18–301, 18–302, 18–303(a) and (b), 18–1401, 18–19A–01, 18–19A–04, and 18–19A–05
Annotated Code of Maryland
(2014 Replacement Volume and 2015 Supplement)

BY repealing and reenacting, with amendments,

Article – Education
Section ~~18–303(a) and (b)~~, 18–304, 18–306, 18–1402, 18–19A–02, and 18–19A–03
Annotated Code of Maryland
(2014 Replacement Volume and 2015 Supplement)

~~BY adding to~~

~~Article – Education
Section 18–114 and 18–19A–04.1
Annotated Code of Maryland
(2014 Replacement Volume and 2015 Supplement)~~

BY repealing and reenacting, without amendments,

Article – Tax – General
Section 10–207(a) and 10–208(a)

Annotated Code of Maryland
(2010 Replacement Volume and 2015 Supplement)

BY repealing and reenacting, with amendments,
Article – Tax – General
Section 10–208(o)
Annotated Code of Maryland
(2010 Replacement Volume and 2015 Supplement)

BY adding to
Article – Tax – General
Section 10–207(cc) and 10–737
Annotated Code of Maryland
(2010 Replacement Volume and 2015 Supplement)

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

Article – State Finance and Procurement

3–302.

(a) (1) Except as otherwise provided in subsection (b) of this section, PARAGRAPH (2)(II) OF THIS SUBSECTION, or in other law, the Central Collection Unit is responsible for the collection of each delinquent account or other debt that is owed to the State or any of its officials or units.

(2) (I) [An] EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, AN official or unit of the State government shall refer to the Central Collection Unit each debt for which the Central Collection Unit has collection responsibility under this subsection and may not settle the debt.

(II) IN ACCORDANCE WITH § 15-119 OF THE EDUCATION ARTICLE, A PUBLIC INSTITUTION OF HIGHER EDUCATION MAY NOT REFER A DELINQUENT STUDENT ACCOUNT OR DEBT TO THE CENTRAL COLLECTION UNIT UNLESS, IN ACCORDANCE WITH § 15-119 OF THE EDUCATION ARTICLE:

1. THE DELINQUENT ACCOUNT OR DEBT HAS NOT BEEN SETTLED BY THE END OF THE LATE REGISTRATION PERIOD OF THE SEMESTER AFTER THE STUDENT ACCOUNT BECAME DELINQUENT; OR

2. THE STUDENT HAS NOT ENTERED INTO OR MADE TIMELY PAYMENTS TO SATISFY AN INSTALLMENT PAYMENT PLAN.

(3) For the purposes of this subtitle, a community college or board of trustees for a community college established or operating under Title 16 of the Education Article is a unit of the State.

Article – Education

15–119.

(A) A PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL ALLOW AN INDIVIDUAL WITH AN UNPAID BALANCE OF \$250 OR LESS ON A STUDENT ACCOUNT TO REGISTER FOR COURSES AT THE INSTITUTION IF THE INDIVIDUAL SETTLES THE BALANCE ON THE STUDENT ACCOUNT BY THE END OF THE LATE REGISTRATION PERIOD FOR THE NEXT SEMESTER.

(B) (1) A PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL ALLOW AN INDIVIDUAL WITH AN UNPAID BALANCE OF MORE THAN \$250 ON A STUDENT ACCOUNT TO REGISTER FOR COURSES AT THE INSTITUTION IF THE INDIVIDUAL ENTERS INTO AN INSTALLMENT PAYMENT PLAN BEFORE THE END OF THE LATE REGISTRATION PERIOD FOR THE CURRENT SEMESTER.

(2) THE INSTALLMENT PAYMENT PLAN UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL REQUIRE THE INDIVIDUAL TO MAKE PAYMENTS TO SETTLE THE UNPAID BALANCE ON THE STUDENT ACCOUNT BY THE AGREED ON DATE.

18–1401.

(a) In this section, “part–time student” means a student who:

(1) Is enrolled in a degree–granting program at an eligible institution and taking at least 3 but no more than 11 semester hours of courses each semester; or

(2) Is dually enrolled in a secondary school in the State and an institution of higher education.

(b) In cooperation with the institutions of higher education in the State, the Commission shall establish and administer a grant program for undergraduate part–time students.

(c) A recipient of a part–time grant shall:

(1) Be a resident of the State; and

(2) Have demonstrated a definite financial need according to criteria established by the Commission.

(d) For courses completed under the program, a recipient who is dually enrolled in a secondary school in the State and an institution of higher education may not be required to receive credit from a secondary school and an institution of higher education at the same time.

18-1402.

(a) [(1) Funds for the Part-Time Grant Program shall be allocated by the Commission to each institution of higher education based upon the number of undergraduate part-time students with demonstrated financial need who are enrolled in degree-granting programs at the institution.

[(2) An institution of higher education may use up to 10% of the part-time grant allocation to provide grants to students who are enrolled in at least 3 but less than 6 semester hours of courses each semester.

(b) In addition to the funds provided under § 18-14A-02(b) of this title, institutions may use up to 10% of the part-time grant allocation to provide grants to students who are dually enrolled.

(c)] (B) Funds for the grant program for part-time students shall be as provided in the annual budget of the Commission by the Governor.

18-1905.1.

(A) (1) THE BOARD SHALL DEVELOP AND IMPLEMENT A MARKETING PLAN TO INCREASE PARTICIPATION IN THE COLLEGE SAVINGS PLANS OF MARYLAND.

(2) (I) THE MARKETING PLAN SHALL IDENTIFY METHODS TO INCREASE GENERAL PARTICIPATION IN THE COLLEGE SAVINGS PLANS OF MARYLAND.

(II) THE BOARD SHALL COORDINATE WITH THE BOARD OF TRUSTEES OF THE MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS AND LOCAL SCHOOL SYSTEMS, RESPECTIVELY, TO IDENTIFY METHODS TO INCREASE PARTICIPATION IN THE COLLEGE SAVINGS PLANS OF MARYLAND AMONG:

1. STATE EMPLOYEES THAT PARTICIPATE IN OTHER STATE TAX SAVINGS PROGRAMS; AND

2. FAMILIES OF STUDENTS IN LOCAL SCHOOL SYSTEMS WITH LOWER RATES OF PARTICIPATION IN THE COLLEGE SAVINGS PLANS OF MARYLAND THAN THE STATE POPULATION.

(B) ON OR BEFORE DECEMBER 1, 2016, AND EVERY 3 YEARS THEREAFTER, THE BOARD SHALL SUBMIT THE MARKETING PLAN REQUIRED UNDER SUBSECTION (A) OF THIS SECTION TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE SENATE BUDGET AND TAXATION COMMITTEE, THE SENATE EDUCATION, HEALTH, AND ENVIRONMENTAL AFFAIRS COMMITTEE, THE HOUSE COMMITTEE ON WAYS AND MEANS, AND THE HOUSE APPROPRIATIONS COMMITTEE.

18-19A-01.

(a) In this subtitle the following words have the meanings indicated.

(b) “Account holder” means the person who established an investment account on behalf of a qualified designated beneficiary.

(c) “Board” means the College Savings Plans of Maryland Board established under § 18-1904 of this title.

(d) “Eligible educational institution” has the meaning stated in § 529(e) of the Internal Revenue Code.

(e) “Investment account” means an account established by an account holder under this subtitle on behalf of a qualified designated beneficiary for the purpose of applying distributions toward qualified higher education expenses at eligible educational institutions.

(f) “Plan” means the Maryland College Investment Plan established under this subtitle.

(g) “Qualified designated beneficiary” has the meaning stated in § 529(e) of the Internal Revenue Code.

(h) “Qualified higher education expenses” has the meaning stated in § 529(e) of the Internal Revenue Code.

(i) “Qualified state tuition program” has the meaning stated in § 529 of the Internal Revenue Code.

18-19A-02.

(a) There is a Maryland College Investment Plan.

(b) The purpose of the Plan is to allow contributions to an investment account established for the purposes of meeting the qualified higher education expenses of the qualified designated beneficiary of the account.

(c) (1) The Board shall administer, manage, promote, and market the Plan.

(2) The Board shall administer the Plan in compliance with Internal Revenue Service standards for qualified State tuition programs.

(d) The Board shall adopt procedures that the Board considers necessary to carry out the provisions of this subtitle.

(e) The Board shall adopt procedures relating to:

(1) Application procedures for participation in the Plan;

(2) Start-up costs incurred by the State for the development of the Plan with these costs to be reimbursed to the State by the Plan;

(3) Early withdrawals, so that there will be no major detriment to the remaining account holders in the Plan; [and]

(4) THE STATE CONTRIBUTION PROGRAM; AND

[(4)] (5) Transfer of funds from the Plan to other qualified State tuition programs and from other qualified State tuition programs to the Plan in accordance with federal law.

(f) At least annually, the Board shall issue to each account holder a statement that provides a separate accounting for each qualified designated beneficiary providing the following information with respect to each account:

(1) The beginning balance;

(2) Contributions to the account, **INCLUDING ANY STATE CONTRIBUTION;**

(3) Withdrawals from the account during the previous year; and

(4) Ending investment account value.

18-19A-03.

(a) (1) The Board may issue requests for proposals to evaluate and determine the means for the administration, management, promotion, or marketing of the Plan.

(2) The Board shall consider proposals that meet the following criteria:

(i) Ability to develop and administer an investment program of a nature similar to the objectives of the Plan;

(ii) Ability to administer financial programs with individual account records and reporting;

(iii) Ability to market the Plan to Maryland residents;

(iv) Ability to market the Plan to nonresidents of Maryland; and

(v) Ability to coordinate the Plan with other programs or informational services considered beneficial by the Board, including the Maryland Prepaid College Trust established under Subtitle 19 of this title.

(b) (1) **[The] EXCEPT FOR APPLICATIONS MADE UNDER § 18-19A-04.1 OF THIS SUBTITLE, THE** Board may require an initial application fee to be used for administrative costs of the Plan.

(2) The Board may require additional fees associated with the expenses of the Plan.

(c) (1) Contributions to the Plan on behalf of a qualified designated beneficiary may not exceed the maximum amount determined by the Board to be in accordance with § 529 of the Internal Revenue Code.

(2) Contributions to the Plan may be made only in cash or cash equivalent.

(3) The Plan shall include provisions for automatic contributions.

(d) The Board shall adopt procedures to ensure that contributions to the Plan plus contributions or payments to other qualified State tuition programs do not exceed a total maximum amount determined under § 529 of the Internal Revenue Code for contributions to multiple qualified State tuition programs.

(e) (1) The Plan:

(i) Shall be established in the form determined by the Board; and

(ii) May be established as a trust to be declared by the Board.

(2) The Plan may be divided into multiple investment portfolios.

(3) If the Plan is divided into multiple portfolios as provided in paragraph (2) of this subsection, the debts, liabilities, obligations, and expenses incurred, contracted

for, or otherwise existing with respect to a particular portfolio shall be enforceable against the assets of that portfolio only and not against the assets of the Plan generally, if:

(i) Distinct records are maintained for each portfolio; and

(ii) The assets associated with each portfolio are accounted for separately from the other assets of the Plan.

18-19A-04.

(a) A Maryland resident or a nonresident of Maryland may participate in and benefit from the Plan.

(b) Distributions shall be requested by the account holder.

18-19A-04.1.

(A) FOR INVESTMENT ACCOUNTS ESTABLISHED AFTER DECEMBER 31, 2016, A STATE CONTRIBUTION MAY BE MADE TO AN INVESTMENT ACCOUNT AS PROVIDED IN THIS SECTION IF:

(1) ~~THE ACCOUNT HOLDER OR~~ QUALIFIED BENEFICIARY OF THE INVESTMENT ACCOUNT IS A MARYLAND RESIDENT;

(2) THE ACCOUNT HOLDER SUBMITS AN APPLICATION TO THE BOARD OR ITS DESIGNEE ~~NO EARLIER THAN SEPTEMBER 15 AND NO LATER THAN SEPTEMBER 20 OF EACH YEAR~~ BETWEEN JANUARY 1 AND JUNE 1 OF EACH YEAR; AND

(3) THE ACCOUNT HOLDER HAS MARYLAND TAXABLE INCOME NO GREATER THAN \$112,500 FOR AN INDIVIDUAL OR ~~\$225,000~~ \$175,000 FOR A MARRIED COUPLE FILING A JOINT RETURN IN THE PREVIOUS TAXABLE YEAR.

(B) (1) AN APPLICATION MAY BE MADE IN PERSON, ONLINE, OR BY MAIL.

(2) THE BOARD SHALL:

(i) ESTABLISH A LIST OF DOCUMENTATION THAT MUST BE SUBMITTED WITH THE APPLICATION, INCLUDING DOCUMENTS THAT ESTABLISH MARYLAND TAXABLE INCOME AND MARYLAND RESIDENCY;

(ii) A PROCEDURE TO CERTIFY THE DATE AND TIME OF RECEIPT OF AN APPLICATION; AND

(III) ANY OTHER NECESSARY PROCEDURES FOR THE SUBMITTAL OF APPLICATIONS.

(C) (1) FOR AN ACCOUNT HOLDER WITH MARYLAND TAXABLE INCOME OF LESS THAN \$50,000 FOR AN INDIVIDUAL OR ~~\$100,000~~ \$75,000 FOR A MARRIED COUPLE FILING A JOINT RETURN WHO MAKES AN ANNUAL CONTRIBUTION OF AT LEAST \$25 PER BENEFICIARY, THE STATE SHALL PROVIDE AN ADDITIONAL \$250 PER BENEFICIARY.

(2) FOR AN ACCOUNT HOLDER WITH MARYLAND TAXABLE INCOME OF AT LEAST \$50,000 BUT LESS THAN \$87,500 FOR AN INDIVIDUAL OR AT LEAST ~~\$100,000~~ \$75,000 BUT LESS THAN ~~\$175,000~~ \$125,000 FOR A MARRIED COUPLE FILING A JOINT RETURN WHO MAKES AN ANNUAL CONTRIBUTION OF AT LEAST \$100 PER BENEFICIARY, THE STATE SHALL PROVIDE AN ADDITIONAL \$250 PER BENEFICIARY.

(3) FOR AN ACCOUNT HOLDER WITH MARYLAND TAXABLE INCOME OF AT LEAST \$87,500 BUT ~~LESS~~ *NO GREATER* THAN \$112,500 FOR AN INDIVIDUAL OR AT LEAST ~~\$175,000~~ \$125,000 BUT ~~LESS~~ *NO GREATER* THAN ~~\$225,000~~ \$175,000 FOR A MARRIED COUPLE FILING A JOINT RETURN WHO MAKES AN ANNUAL CONTRIBUTION OF AT LEAST \$250 PER BENEFICIARY, THE STATE SHALL PROVIDE AN ADDITIONAL \$250 PER BENEFICIARY.

(D) (1) THE GOVERNOR SHALL APPROPRIATE IN THE BUDGET BILL AT LEAST THE FOLLOWING AMOUNTS FOR STATE CONTRIBUTIONS:

(I) \$5,000,000 IN FISCAL YEAR 2018;

(II) \$7,000,000 IN FISCAL YEAR 2019; AND

(III) \$10,000,000 IN FISCAL YEAR 2020 AND EACH FISCAL YEAR THEREAFTER.

(2) IF THE FUNDING PROVIDED IN A FISCAL YEAR IS NOT SUFFICIENT TO FULLY FUND ALL STATE CONTRIBUTIONS AUTHORIZED UNDER THIS SECTION, THE BOARD SHALL:

(I) PROVIDE CONTRIBUTIONS IN THE ORDER IN WHICH APPLICATIONS ARE RECEIVED; AND

(II) GIVE PRIORITY TO APPLICATIONS OF ACCOUNT HOLDERS WHO DID NOT RECEIVE A CONTRIBUTION IN ANY PRIOR YEAR.

(E) (1) AN ACCOUNT HOLDER WHO HAS BEEN APPROVED TO RECEIVE A STATE CONTRIBUTION SHALL MAKE A CONTRIBUTION BETWEEN JULY 1 AND NOVEMBER 1 OF EACH YEAR IN ORDER TO QUALIFY FOR THE STATE CONTRIBUTION.

(2) A STATE CONTRIBUTION SHALL BE MADE ~~IN~~ BY DECEMBER 31 OF THE CALENDAR YEAR ~~FOLLOWING THE CONTRIBUTION OF THE ACCOUNT HOLDER~~ IN WHICH THE ACCOUNT HOLDER MADE THE CONTRIBUTION.

(F) AN ACCOUNT HOLDER IS NOT ELIGIBLE FOR THE SUBTRACTION MODIFICATION UNDER § 10-208 OF THE TAX – GENERAL – ARTICLE FOR ANY TAXABLE YEAR IN WHICH THE ACCOUNT HOLDER RECEIVES A STATE CONTRIBUTION.

(G) THE BOARD SHALL DEVELOP AND IMPLEMENT BY SEPTEMBER 1, 2016, AN OUTREACH AND MARKETING PLAN TO PROVIDE NOTIFICATION TO INDIVIDUALS ABOUT THE AVAILABILITY OF A STATE CONTRIBUTION.

18-19A-05.

(a) (1) The debts, contracts, and obligations of the Plan are not the contracts, debts, or obligations of the State and neither the faith and credit nor taxing power of the State is pledged directly or indirectly or contingently, morally or otherwise, to the payment of the debts, contracts, and obligations.

(2) The Board cannot directly or indirectly or contingently obligate, morally or otherwise, the State to levy or pledge any form of taxation whatsoever for the debts and obligations of the Plan or to make any appropriation for the payment of the debts and obligations of the Plan.

(b) Neither the State nor any eligible educational institution shall be liable for any losses or shortage of funds in the event that the account holder's investment account balance is insufficient to meet the tuition requirements of an institution attended by the qualified designated beneficiary.

(c) Moneys of the Plan may not be considered moneys of the State or deposited in the State Treasury.

(d) Moneys of the Plan may not be considered moneys of or commingled with the Maryland Prepaid College Trust.

(e) Moneys of the Plan may not be considered moneys of or commingled with the Maryland Broker-Dealer College Investment Plan.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Education**18–114.****THE COMMISSION AND THE DEPARTMENT SHALL WORK COLLABORATIVELY TO DEVELOP AN APPLICATION FOR USE ON DIGITAL DEVICES THAT PROVIDES:****(1) INFORMATION ABOUT STATE FINANCIAL AID PROGRAMS;****(2) CALENDAR NOTIFICATIONS FOR DATES AND DEADLINES ASSOCIATED WITH APPLYING FOR FINANCIAL AID; AND****(3) ANY OTHER INFORMATION THE COMMISSION AND THE DEPARTMENT DETERMINE TO BE NECESSARY OR HELPFUL TO PARENTS AND STUDENTS REGARDING FINANCIAL AID IN THE STATE.****Article – Tax – General****10–207.****(a) To the extent included in federal adjusted gross income, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.****(CC) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES AN AMOUNT CONTRIBUTED BY THE STATE INTO AN INVESTMENT ACCOUNT UNDER § 18–19A–04.1 OF THE EDUCATION ARTICLE.****10–208.****(a) In addition to the modification under § 10–207 of this subtitle, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.****(o) (1) (i) In this subsection the following words have the meanings indicated.****(ii) “Account holder” means an account holder as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.****(iii) “Investment account” means an investment account as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.**

(iv) “Qualified designated beneficiary” means a qualified designated beneficiary as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

(2) (I) [Subject] **EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH AND SUBJECT** to the limitation under paragraph (3) of this subsection, the subtraction under subsection (a) of this section includes the amount contributed by an account holder during the taxable year to an investment account.

(II) THE SUBTRACTION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH MAY NOT BE TAKEN IF THE ACCOUNT HOLDER RECEIVED A STATE CONTRIBUTION UNDER § 18–19A–04.1 OF THE EDUCATION ARTICLE DURING THE TAXABLE YEAR.

(3) (i) Subject to paragraph (4) of this subsection, for each account holder for all investment accounts maintained in the Maryland College Investment Plan and the Maryland Broker–Dealer College Investment Plan for the same qualified designated beneficiary, the subtraction under paragraph (2) of this subsection may not exceed \$2,500 for any taxable year per qualified designated beneficiary.

(ii) For purposes of the limitation under this paragraph, each spouse on a joint return shall be treated separately.

(4) Subject to the \$2,500 annual limitation for each account holder for each qualified designated beneficiary, the amount disallowed as a subtraction under this subsection for any taxable year as a result of the limitation under paragraph (3) of this subsection may be carried over until used to the next 10 succeeding taxable years as a subtraction.

10–737.

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

(2) “COMMISSION” MEANS THE MARYLAND HIGHER EDUCATION COMMISSION.

(3) “QUALIFIED TAXPAYER” MEANS AN INDIVIDUAL WHO HAS:

(I) INCURRED AT LEAST \$20,000 IN UNDERGRADUATE STUDENT LOAN DEBT; AND

(II) HAS AT LEAST \$5,000 IN OUTSTANDING UNDERGRADUATE STUDENT LOAN DEBT WHEN SUBMITTING AN APPLICATION UNDER SUBSECTION (C) OF THIS SECTION.

(B) SUBJECT TO THE LIMITATIONS OF THIS SECTION, A QUALIFIED TAXPAYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR THE TAXABLE YEAR IN WHICH THE COMMISSION CERTIFIES A TAX CREDIT UNDER THIS SECTION.

(C) (1) (I) BY SEPTEMBER 15 OF EACH YEAR, AN INDIVIDUAL SHALL SUBMIT AN APPLICATION TO THE COMMISSION FOR THE CREDIT ALLOWED UNDER THIS SECTION.

(II) THE INDIVIDUAL SHALL SUBMIT WITH THE APPLICATION AN ASSURANCE THAT THE INDIVIDUAL WILL USE ANY CREDIT APPROVED UNDER THIS SECTION FOR THE REPAYMENT OF THE INDIVIDUAL'S UNDERGRADUATE STUDENT LOAN DEBT AS SOON AS PRACTICABLE.

(III) 1. THE TOTAL AMOUNT OF THE CREDIT CLAIMED UNDER THIS SECTION SHALL BE RECAPTURED IF THE INDIVIDUAL DOES NOT USE THE CREDIT APPROVED UNDER THIS SECTION FOR THE REPAYMENT OF THE INDIVIDUAL'S UNDERGRADUATE STUDENT LOAN DEBT WITHIN 2 YEARS FROM THE CLOSE OF THE TAXABLE YEAR FOR WHICH THE CREDIT IS CLAIMED.

2. THE INDIVIDUAL WHO CLAIMED THE CREDIT SHALL PAY THE TOTAL AMOUNT OF THE CREDIT CLAIMED AS TAXES PAYABLE TO THE STATE FOR THE TAXABLE YEAR IN WHICH THE EVENT REQUIRING RECAPTURE OF THE CREDIT OCCURS.

(2) BY DECEMBER 15 OF EACH YEAR THE COMMISSION SHALL CERTIFY TO THE INDIVIDUAL THE AMOUNT OF ANY TAX CREDIT APPROVED BY THE COMMISSION UNDER THIS SECTION, NOT TO EXCEED \$5,000.

(3) FOR ANY TAXABLE YEAR, THE TOTAL AMOUNT OF CREDITS APPROVED BY THE COMMISSION UNDER THIS SECTION MAY NOT EXCEED \$5,000,000.

(4) TO CLAIM THE TAX CREDIT ALLOWED UNDER THIS SECTION, AN INDIVIDUAL SHALL ATTACH A COPY OF THE COMMISSION'S CERTIFICATION OF THE APPROVED CREDIT AMOUNT TO THE INCOME TAX RETURN.

(D) THE COMMISSION SHALL PRIORITIZE TAX CREDIT RECIPIENTS AND AMOUNTS BASED ON QUALIFIED TAXPAYERS WHO:

(1) HAVE HIGHER DEBT BURDEN TO INCOME RATIOS;

(2) GRADUATED FROM AN INSTITUTION OF HIGHER EDUCATION LOCATED IN THE STATE;

(3) DID NOT RECEIVE A TAX CREDIT IN A PRIOR YEAR; OR

(4) WERE ELIGIBLE FOR IN-STATE TUITION.

(E) IF THE TAX CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE QUALIFIED TAXPAYER FOR THAT TAXABLE YEAR, THE QUALIFIED TAXPAYER MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS.

(F) THE COMMISSION SHALL ESTABLISH AND IMPLEMENT BY SEPTEMBER 1, 2016, AN OUTREACH AND MARKETING PLAN TO MAKE ELIGIBLE TAXPAYERS AWARE OF THE AVAILABILITY OF THE TAX CREDIT PROVIDED UNDER THIS SECTION.

(G) THE COMMISSION SHALL ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SECTION.

(H) THE TAX CREDIT UNDER THIS SECTION SHALL BE REFERRED TO AS THE STUDENT LOAN DEBT RELIEF TAX CREDIT.

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Education

~~18-114.~~

~~THE COMMISSION AND THE DEPARTMENT SHALL WORK COLLABORATIVELY TO DEVELOP AN APPLICATION FOR USE ON DIGITAL DEVICES THAT PROVIDES:~~

~~(1) INFORMATION ABOUT STATE FINANCIAL AID PROGRAMS;~~

~~(2) CALENDAR NOTIFICATIONS FOR DATES AND DEADLINES ASSOCIATED WITH APPLYING FOR FINANCIAL AID; AND~~

~~(3) ANY OTHER INFORMATION THE COMMISSION AND THE DEPARTMENT DETERMINE TO BE NECESSARY OR HELPFUL TO PARENTS AND STUDENTS REGARDING FINANCIAL AID IN THE STATE.~~

18-301.

(a) There is a Delegate Howard P. Rawlings Program of Educational Excellence Awards in this State that are awarded under this subtitle.

(b) The Program shall consist of the following types of awards:

(1) Guaranteed Access Grants that are awarded to the neediest students to ensure that 100 percent of educational costs, as defined by regulations adopted by the Commission, are paid; and

(2) Educational Assistance Grants that are awarded to low and moderate income students to assist in paying educational costs, as defined by regulations adopted by the Commission.

18–302.

The Office of Student Financial Assistance shall publicize the availability of Delegate Howard P. Rawlings Educational Excellence Awards.

18–303.

(a) Subject to subsection (d) of this section, each recipient of a Delegate Howard P. Rawlings Educational Excellence Award shall:

(1) Be accepted for admission in the regular undergraduate program at an eligible institution or be enrolled in a 2–year associate degree program in which the course work is acceptable for transfer credit for an accredited baccalaureate program in an eligible institution;

(2) Be a resident of this State;

(3) Demonstrate to the Office a definite financial need; and

(4) Accept any other conditions attached to the award.

(b) Each recipient of a Guaranteed Access Grant shall:

(1) Have attained a grade point average of at least 2.5 on a 4.0 scale or its equivalent at the end of the first semester of the senior year in high school and have completed high school or, failing to do so, on the recommendation of the recipient's high school principal, provide evidence satisfactory to the Office of extenuating circumstances;

(2) Begin college within 1 year of completing high school or, failing to do so, provide evidence satisfactory to the Office of extenuating circumstances;

(3) Be under the age of 22 years at the time of receiving the first award;

(4) Have successfully completed a college preparatory program in high school;

(5) Enroll in ~~AT LEAST 30 SEMESTER HOURS IN AN ACADEMIC YEAR, INCLUDING THE SUMMER SEMESTER, IN~~ college [as a full-time student];

(6) Subject to subsection (c) of this section, have an annual family income below a poverty index determined by the Commission; and

(7) Satisfy any additional criteria the Commission may establish.

18-304.

(A) IN THIS SECTION, "ACADEMIC YEAR" MEANS:

(1) THE FALL, SPRING, AND SUMMER SEMESTERS; AND

(2) ANY SEMESTER SHORTER IN LENGTH THAN THE TERM OF A REGULAR SEMESTER.

~~(a)~~ **(B)** (1) Except as provided in § 18-307 of this subtitle, the Office shall determine the amount of each Delegate Howard P. Rawlings Educational Excellence Award based on the financial need of the applicant.

(2) In determining the amount of financial need, the Office shall consider regional cost-of-living differences.

(3) In determining the percent of financial need used to calculate an award for a community college student receiving a Delegate Howard P. Rawlings Educational Excellence Award, the Commission shall use the following percentages:

(i) For fiscal year 2007, not less than 55%; and

(ii) For fiscal year 2008 and each fiscal year thereafter, not less than 60%.

~~(b)~~ **(C)** (1) Except as provided in [paragraph (2)] PARAGRAPHS (2) AND (3) of this subsection, a Delegate Howard P. Rawlings Educational Excellence Award may be awarded in \$100 increments [and the award for a single year may not be less than \$400 or more than \$3,000].

(2) (I) THE AMOUNT OF AN EDUCATIONAL ASSISTANCE GRANT MADE TO A STUDENT IN THE STUDENT'S FIRST 2 SEMESTERS ACADEMIC YEARS OF ENROLLMENT MAY NOT BE LESS THAN \$400 OR MORE THAN \$3,000.

(II) BEGINNING IN THE THIRD ~~SEMESTER~~ ACADEMIC YEAR OF ENROLLMENT AND FOR EACH ~~SEMESTER~~ ACADEMIC YEAR THEREAFTER:

1. IF THE STUDENT SUCCESSFULLY COMPLETED AT LEAST ~~15~~ 30 CREDITS IN THE PRIOR ~~SEMESTER~~ ACADEMIC YEAR, THE AMOUNT OF AN EDUCATIONAL ASSISTANCE GRANT MADE TO A STUDENT MAY NOT BE LESS THAN \$400 OR MORE THAN \$3,000; OR

2. IF THE STUDENT SUCCESSFULLY COMPLETED AT LEAST ~~12~~ 24 BUT LESS THAN ~~15~~ 30 CREDITS IN THE PRIOR ~~SEMESTER~~ ACADEMIC YEAR, THE AWARD AMOUNT SHALL BE EQUAL TO THE AMOUNT THE STUDENT WOULD HAVE OTHERWISE RECEIVED MULTIPLIED BY THE RATIO OF THE NUMBER OF CREDITS SUCCESSFULLY COMPLETED DIVIDED BY ~~15~~ 30.

[(2)] (3) (i) All applicants who fulfill the requirements established in § 18-303(a) and (b) of this subtitle shall receive a Guaranteed Access Grant.

(ii) The amount of a Guaranteed Access Grant MADE TO A STUDENT IN THE STUDENT'S FIRST 2 ~~SEMESTERS~~ ACADEMIC YEARS OF ENROLLMENT shall be equal to 100 percent of the student's financial need as determined by the Office, not to exceed the equivalent annual expenses of a full-time resident undergraduate at the 4-year public institution of higher education within the University System of Maryland, other than the University of Maryland University College and University of Maryland, Baltimore, with the highest annual expenses for a full-time resident undergraduate.

(III) BEGINNING IN THE THIRD ~~SEMESTER~~ ACADEMIC YEAR OF ENROLLMENT AND FOR EACH ~~SEMESTER~~ ACADEMIC YEAR THEREAFTER:

1. IF THE STUDENT SUCCESSFULLY COMPLETED AT LEAST ~~15~~ 30 CREDITS IN THE PRIOR ~~SEMESTER~~ ACADEMIC YEAR, THE AWARD AMOUNT SHALL BE EQUAL TO 100 PERCENT OF THE STUDENT'S FINANCIAL NEED AS DETERMINED BY THE OFFICE, NOT TO EXCEED THE EQUIVALENT ANNUAL EXPENSES OF A FULL-TIME RESIDENT UNDERGRADUATE AT THE 4-YEAR PUBLIC INSTITUTION OF HIGHER EDUCATION WITHIN THE UNIVERSITY SYSTEM OF MARYLAND, OTHER THAN THE UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE AND UNIVERSITY OF MARYLAND, BALTIMORE, WITH THE HIGHEST ANNUAL EXPENSES FOR A FULL-TIME RESIDENT UNDERGRADUATE; OR

2. IF THE STUDENT SUCCESSFULLY COMPLETED AT LEAST ~~12~~ 24 BUT LESS THAN ~~15~~ 30 CREDITS IN THE PRIOR ~~SEMESTER~~ ACADEMIC YEAR, THE AWARD AMOUNT SHALL BE EQUAL TO 100 PERCENT MULTIPLIED BY THE RATIO OF THE NUMBER OF CREDITS SUCCESSFULLY COMPLETED DIVIDED BY ~~15~~ 30.

(a) Subject to the provisions of subsection ~~[(d)] (C)~~ of this section, each recipient of a Delegate Howard P. Rawlings Educational Excellence Award may hold the award for ~~[5]~~ 4 years if the recipient:

(1) Continues to be a resident of this State;

(2) Continues to be ~~[/a full-time student/]~~ ~~ENROLLED IN AT LEAST 30 SEMESTER HOURS IN AN ACADEMIC YEAR, INCLUDING THE SUMMER SEMESTER,~~ at an eligible institution ~~[/and takes at least 12 semester hours of courses each semester,]~~ or its equivalent as determined by the Office;

(3) In the judgment of the institution, is making satisfactory progress toward a degree; and

(4) Maintains the standards of the institution.

(b) Each recipient of a Delegate Howard P. Rawlings Educational Excellence Award who is enrolled in an associate degree program as permitted in § 18-303(a)(1) of this subtitle may hold the award for ~~[3]~~ 2 years if the same conditions of subsection (a) of this section are met.

(c) Each recipient of a Delegate Howard P. Rawlings Educational Excellence Award may hold the award for a 5th year if the recipient **CONTINUES TO SATISFY THE REQUIREMENTS UNDER SUBSECTION (A) OF THIS SECTION AND:**

(1) Is enrolled in an academic program that, as determined by the institution, requires 5 years to complete; or

(2) Provides evidence, satisfactory to the Office, of extenuating financial, academic, or other circumstances that prevent the recipient from completing the academic program in 4 years.

~~[(d) In addition to the requirements for renewal of a Delegate Howard P. Rawlings Educational Excellence Award under subsections (a), (b), and (c) of this section, a recipient of a Guaranteed Access Grant shall hold the grant for not more than 5 consecutive years or, failing to do so, provide evidence satisfactory to the Office of extenuating circumstances.]~~

(D) EACH RECIPIENT OF A DELEGATE HOWARD P. RAWLINGS EDUCATIONAL EXCELLENCE AWARD WHO IS ENROLLED IN AN ASSOCIATE DEGREE PROGRAM AS PERMITTED IN § 18-303(A)(1) OF THIS SUBTITLE MAY HOLD THE AWARD FOR A 3RD YEAR IF THE RECIPIENT:

(1) CONTINUES TO SATISFY THE REQUIREMENTS UNDER SUBSECTION (A) OF THIS SECTION; AND

(2) PROVIDES EVIDENCE, SATISFACTORY TO THE OFFICE, OF EXTENUATING FINANCIAL, ACADEMIC, OR OTHER CIRCUMSTANCES THAT PREVENT THE RECIPIENT FROM COMPLETING THE ACADEMIC PROGRAM IN 2 YEARS.

SECTION 4. AND BE IT FURTHER ENACTED, That, on or before December 1, 2017, the College Savings Plans of Maryland Board shall report to the General Assembly, in accordance with § 2–1246 of the State Government Article, on:

(1) whether the State contribution program established under this Act increases the number of low-income individuals that establish an investment account; and

(2) actions taken by the College Savings Plans of Maryland to provide outreach and marketing to low-income individuals regarding the Prepaid College Trust and the Investment Plan.

SECTION 5. AND BE IT FURTHER ENACTED, That:

(a) The Maryland Higher Education Commission, in consultation with the Department of Legislative Services, shall retain a consultant to conduct an independent evaluation of the effectiveness of the operation of the Office of Student Financial Assistance in the Maryland Higher Education Commission;

(b) In addition to the evaluation required under subsection (a) of this section, the consultant shall make recommendations on how to implement Section 3 of this Act and how to overcome any impediments the Office of Student Financial Assistance may encounter in implementing Section 3 of this Act; and

(c) On or before October 1, 2017, the Maryland Higher Education Commission and the Department of Legislative Services shall report the findings and recommendations required under subsections (a) and (b) of this section to the Governor and, in accordance with § 2–1246 of the State Government Article, the Senate Budget and Taxation Committee, the Senate Education, Health, and Environmental Affairs Committee, the House Committee on Ways and Means, and the House Appropriations Committee.

SECTION ~~5~~ 6. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2016. Section 2 of this Act shall be applicable to all taxable years beginning after December 31, ~~2015~~ 2016. Section 3 of this Act shall apply beginning in the ~~2017–2018~~ 2018–2019 academic year.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 28, 2016.