

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 142 (Delegate Ivey)
 Ways and Means

Income Tax - Student Loan Debt Relief Tax Credit - Alterations

This bill expands the student loan debt relief tax credit by (1) increasing to \$100 million the annual amount of credits that the Maryland Higher Education Commission (MHEC) may award; (2) increasing to \$100,000 the maximum value of the credit; and (3) expanding eligibility for the tax credit by eliminating the requirement that a student must have had at least \$20,000 in total student loan debt and have a remaining balance of at least \$5,000. **The bill takes effect July 1, 2021, and applies to tax year 2021 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$91.0 million annually beginning in FY 2022 due to additional credits claimed against the income tax. General fund expenditures may increase beginning in FY 2022 due to implementation costs at MHEC and the Comptroller’s Office.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$91.0)	(\$91.0)	(\$91.0)	(\$91.0)	(\$91.0)
GF Expenditure	-	-	-	-	-
Net Effect	(\$91.0)	(\$91.0)	(\$91.0)	(\$91.0)	(\$91.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The student loan debt relief tax credit established a refundable tax credit of up to \$5,000 for qualified student loans to Maryland residents beginning in tax year

2017. Qualifying taxpayers must have had at least \$20,000 in total undergraduate or graduate student loan debt and have a remaining balance of at least \$5,000, and recipients must use the credit within two years to pay down the student loan. MHEC was initially authorized to approve \$5.0 million of tax credits annually. Chapter 382 of 2018 expanded the types of qualifying debt to include debt incurred for graduate school, and Chapter 419 of 2018 increased the total amount of credits that can be awarded to \$9.0 million annually. MHEC awarded the maximum amount of credits for tax year 2019.

State Revenues: The bill authorizes MHEC to award a maximum of \$100.0 million in tax credits beginning with tax year 2021. As a result, general fund revenues will decrease by \$91.0 million annually beginning in fiscal 2022. This estimate assumes that MHEC awards the maximum authorized amount of credits in each year.

State Expenditures: General fund expenditures may increase at the Comptroller's Office and MHEC beginning in fiscal 2022 in order to award, process, and verify additional tax credit claims.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Higher Education Commission; Department of Legislative Services

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md/jrb

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