

MARYLAND REGISTER

## Proposed Action on Regulations

<b>Transmittal Sheet</b>  <b>PROPOSED OR REPROPOSED</b>  <b>Actions on Regulations</b>	<b>Date Filed with AELR Committee</b>	<b>TO BE COMPLETED BY DSD</b>
	05/04/2017	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

1. Desired date of publication in Maryland Register: 6/9/2017

2. COMAR Codification

**Title Subtitle Chapter Regulation**

13B 08 17 .01-.07

3. Name of Promulgating Authority

Maryland Higher Education Commission

4. Name of Regulations Coordinator

Priscilla A Moore

Telephone Number

410-767-3312

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6 N. Liberty Street

<b>City</b>	<b>State</b>	<b>Zip Code</b>
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5. Name of Person to Call About this Document

Geoffrey Newman

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410-767-3085

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6. Check applicable items:

New Regulations

Amendments to Existing Regulations

- Date when existing text was downloaded from COMAR online: .
- Repeal of Existing Regulations
  - Recodification
  - Incorporation by Reference of Documents Requiring DSD Approval
  - Reproposal of Substantively Different Text:

: Md. R  
(vol.) (issue) (page nos) (date)

Under Maryland Register docket no.: --P.

**7. Is there emergency text which is identical to this proposal:**

Yes  No

**8. Incorporation by Reference**

Check if applicable: Incorporation by Reference (IBR) approval form(s) attached and 18 copies of documents proposed for incorporation submitted to DSD. (Submit 18 paper copies of IBR document to DSD and one copy to AELR.)

**9. Public Body - Open Meeting**

- OPTIONAL - If promulgating authority is a public body, check to include a sentence in the Notice of Proposed Action that proposed action was considered at an open meeting held pursuant to General Provisions Article, §3-302(c), Annotated Code of Maryland.

OPTIONAL - If promulgating authority is a public body, check to include a paragraph that final action will be considered at an open meeting.

**10. Children's Environmental Health and Protection**

Check if the system should send a copy of the proposal to the Children's Environmental Health and Protection Advisory Council.

**11. Certificate of Authorized Officer**

I certify that the attached document is in compliance with the Administrative Procedure Act. I also certify that the attached text has been approved for legality by Mark Blom, Assistant Attorney General, (telephone #410-767-3311) on 4/27/17. A written copy of the approval is on file at this agency.

**Name of Authorized Officer**

Mark Blom

**Title**

Assistant Attorney General

**Telephone No.**

410-767-3311

**Date**

4/27/17

**Title 13B**  
**B MARYLAND HIGHER EDUCATION COMMISSION**

**Subtitle 08 FINANCIAL AID**

**13B.08.17 Student Loan Debt Relief Tax Credit**

Authority: Education Article, §§10-737 and 11-105(u); Annotated Code of Maryland

**Notice of Proposed Action**

□

The Maryland Higher Education Commission proposes to add Chapter 17 Student Loan Debt Relief Tax Credit under Subtitle 08 FINANCIAL AID under Title 13B Maryland Higher Education Commission.

This action was considered by the Commission at an open meeting held on April 26, 2017, notice of which was given as required by the General Provisions Article, §3-302, Annotated Code of Maryland.

**Statement of Purpose**

The purpose of this action is to implement the Student Loan Debt Relief Tax Credit under §10-737 of the Education Article of the Annotated Code of Maryland.

**Comparison to Federal Standards**

There is no corresponding federal standard to this proposed action.

**Estimate of Economic Impact**

**I. Summary of Economic Impact.**

These regulations are necessary to allow MHEC to award State income tax credits to individuals with qualifying undergraduate student loan balances in accordance with enabling legislation (Chapter 690, 2016). The enabling legislation for these regulations charge MHEC with awarding a tax credit of up to \$5,000 per qualified taxpayer not to exceed \$5,000,000 annually. Therefore, the economic impact to the State is reduced tax collections, or a reduction in General Fund Revenues, of up to \$5,000,000 annually.

<b>II. Types of Economic Impact.</b>	Revenue (R+/R-)	
	Expenditure (E+/E-)	Magnitude
A. On issuing agency:	NONE	
B. On other State agencies:	NONE	
C. On local governments:	NONE	
	Benefit (+)	Magnitude
	Cost (-)	

D. On regulated industries or trade groups: NONE

- E. On other industries or trade groups: NONE  
F. Direct and indirect effects on public: (+) Up to \$5,000,000

**III. Assumptions.** (Identified by Impact Letter and Number from Section II.)

- A. Administration of tax credit with no new resources.  
F. Up to \$5,000,000 in State Income Tax credits awarded to individual residents, up to \$5,000 per individual, due to undergraduate student loan debt.

**Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

**Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

**Opportunity for Public Comment**

Comments may be sent to Geoffrey Newman, Assistant Secretary of Finance and Administration, Maryland Higher Education Commission, 6 N Liberty Street, 10th Floor, Baltimore, MD 21201, or call 410-767-3085, or email to [geoff.newman@maryland.gov](mailto:geoff.newman@maryland.gov), or fax to 410-332-0270. Comments will be accepted through July 9, 2017. A public hearing has not been scheduled.

**Economic Impact Statement Part C**

- A. Fiscal Year in which regulations will become effective: FY 18  
B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?  
No  
C. If 'yes', state whether general, special (exact name), or federal funds will be used:  
D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:  
It is a tax credit. It will reduce general revenue funds.  
E. If these regulations have no economic impact under Part A, indicate reason briefly:  
F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.  
These regulations do not impact small businesses.  
G. Small Business Worksheet:

## Title 13B

# MARYLAND HIGHER EDUCATION COMMISSION

## Subtitle 08 FINANCIAL AID

### Chapter 17 Student Loan Debt Relief Tax Credit

Authority: Education Article, §§10-737 and 11-105(u); Annotated Code of Maryland

#### **.01 Purpose.**

*The purpose of the Student Loan Debt Relief Tax Credit is to assist students who have incurred a certain amount of loan debt in attending undergraduate school by providing a tax credit on their Maryland State income tax.*

#### **.02 Definitions.**

A. *In this Chapter, the following terms have the meaning indicated.*

B. *"Commission" means the Maryland Higher Education Commission.*

C. *"Comptroller" means the Comptroller of Maryland.*

D. *"Debt burden" means the monthly amount a qualified taxpayer is currently obligated to pay for a student loan debt.*

E. *"Income" means the adjusted gross income reported by a qualified taxpayer on their federal tax return in the tax year immediately preceding the year the taxpayer applies for a Student Loan Debt Relief Tax Credit.*

F. *"Lender" means an entity, institution, or government that lends funds to a student, or on behalf of a student, to pay for charges for tuition or fees. "Lender" includes:*

(1) *A bank, mutual savings bank, savings and loan association, or credit union that is subject to examination and supervision in its capacity as a lender by an agency of the United States or of the state in which its principal place of operation is located;*

(2) *A pension fund that is subject to examination and supervision by an agency of the United States or a state;*

(3) *An insurance company that is subject to examination and supervision by an agency of the United States or a state;*

(4) *In any state, a single agency of the state or a single private nonprofit agency designated by the state to lend funds to a student or manage student loan debt;*

(5) *For purposes of purchasing and holding loans made by other lenders, a student loan marketing association or an agency of any state or the federal government functioning as a secondary market; and*

(6) *The United States Department of Education, federal Department of Veterans Affairs, federal Department of Defense, and any other federal agency.*

G. *"Secretary" means the Maryland Secretary of Higher Education.*

H. *"Student loan debt" means an individual's obligation to repay a lender for monies borrowed by the individual to attend an undergraduate institution.*

I. *"Student Loan Debt Relief Tax Credit" means the tax credit authorized under Education Article, §10-737, Annotated Code of Maryland.*

J. *"Qualified taxpayer" means an individual who has:*

(1) *Incurred at least \$20,000 in undergraduate student loan debt; and*

(2) *At least \$5,000 in outstanding undergraduate student loan debt when submitting an application under*

*Regulation .04 of this Chapter.*

K. *"Undergraduate institution" means an institution of higher education that offers undergraduate degrees and is accredited by an accrediting body recognized by the United States Department of Education.*

#### **.03 Tax Credit.**

A. *Subject to the provisions of Education Article, §10-737, Annotated Code of Maryland, and the provisions of this Chapter, 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 Chapter.*

B. *The Commission shall certify a tax credit to a qualified taxpayer as provided in this Chapter.*

C. *A qualified taxpayer that receives a certification of a tax credit from the Commission shall be responsible for timely and appropriately incorporating the Commission's certification into the taxpayer's tax filings with the Comptroller's office. A qualified taxpayer shall attach a copy of the Commission's certification of the approved credit amount to the taxpayer's income tax return.*

D. The total amount of a Student Loan Debt Relief Tax Credit claimed under a qualified taxpayer's income tax return and approved by the Comptroller pursuant to §F of this regulation shall be recaptured if the qualified taxpayer does not use an approved credit for the repayment of the qualified taxpayer's undergraduate student loan debt within 2 years from the close of the taxable year in which the credit is approved. The qualified taxpayer who claimed the approved tax credit shall pay the total amount of the credit claimed as taxes payable to the State of Maryland for the taxable year in which the event requiring recapture of the credit occurs.

E. If a Student Loan Debt Relief Tax Credit claimed under a qualified taxpayer's income tax return and approved by the Comptroller pursuant to §F of this regulation 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 Comptroller shall make the final determination on a qualified taxpayer's eligibility for a Student Loan Debt Relief Tax Credit pursuant to the Tax-General Article of the Annotated Code of Maryland.

#### **.04 Applying to the Commission for Certification of a Tax Credit.**

A. A qualified taxpayer desiring to request that the Commission certify a tax credit shall apply to the Commission as provided in this Regulation.

B. A qualified taxpayer shall submit a signed application, on a form prepared by the Commission in accordance with §C of this regulation, for a Student Loan Debt Relief Tax Credit by September 15 of the tax year in which the taxpayer seeks to apply a Student Loan Debt Relief Tax Credit to the taxpayer's income tax return.

C. The Student Loan Debt Relief Tax Credit application shall require a qualified taxpayer to submit, in a form prescribed by the Secretary, information required by the Secretary to determine the taxpayer's eligibility for certification, including but not limited to:

(1) The qualified taxpayer's full legal name, date of birth, gender, residency address, email address, phone number, and social security number;

(2) The name of the undergraduate institution(s) attended and dates of attendance attributable to the qualified taxpayer's undergraduate student loan debt;

(3) A statement attesting that the qualified taxpayer has:

(a) Incurred at least \$20,000 in undergraduate student loan debt; and

(b) At least \$5,000 in outstanding student loan debt at the time the application is submitted;

(4) For each student loan debt that contributes to the amount of student loan debt attested to pursuant to paragraph (3) of this section the:

(a) Name, address, and phone number of the entity that provided the student loan debt;

(b) Account number(s) associated with the student loan debt;

(c) Full names of all person(s) legally responsible for repaying the student loan debt;

(d) Original amount of the student loan debt;

(e) Total amount of debt that the qualified taxpayer has incurred under the student loan debt; and

(f) Total amount of the student loan debt currently outstanding at the time the Student Loan Debt Relief Tax Credit application is submitted;

(5) Information that the Secretary deems necessary in order to allow the Commission to determine the qualified taxpayer's debt burden;

(6) Information that the Secretary deems necessary in order to allow the Commission to determine the qualified taxpayer's income;

(7) A signed and notarized statement by the qualified taxpayer under penalty of perjury attesting that the information submitted in the application is true and correct to the knowledge and belief of the qualified taxpayer;

(8) A signed and notarized statement by the qualified taxpayer authorizing a lender or educational institution to release personal academic or financial information as may be requested by the Commission in processing the qualified taxpayer's application; and

(9) A signed and notarized statement of assurance by the qualified taxpayer that the individual shall use any credit approved by the Commission and accepted by the Comptroller for the repayment of the individual's undergraduate student loan debt as soon as practicable and not later than 2 years after the taxable year in which the credit is claimed.

D. By December 15 of the year in which a qualified taxpayer has submitted an application under §B of this regulation, the Commission shall certify to the individual the amount of any tax credit approved by the Commission as provided in Regulation .06.

#### **.06 Commission Action on an Application.**

A. Upon the filing of a timely and complete application for a Student Loan Debt Relief Tax Credit by a qualified taxpayer, the Commission shall review the application and certify to the individual the amount of any tax credit approved by the Commission.

B. The Commission's certification under §A of this regulation shall be issued by December 15 of the year in which the qualified taxpayer submitted an application.

C. The amount of the tax credit approved by the Commission:

(1) May not exceed \$5,000; and

(2) May be \$0.00.

*D. The Commission shall prioritize tax credit recipients and amounts credited to each recipient in the following order:*

- (1) Qualified taxpayers who did not receive a tax credit in the prior year and who were eligible for in-State tuition;*
- (2) Qualified taxpayers who did not receive a tax credit in the prior year and who graduated from an institution of higher education located in the State;*
- (3) Qualified taxpayers who did receive a tax credit in the prior year and who were eligible for in-State tuition;*
- (4) Qualified taxpayers who did receive a tax credit in the prior year and who graduated from an institution of higher education located in the State; and*
- (5) Qualified taxpayers who have higher debt burden-to-income ratios.*

*E. In certifying amounts to qualified taxpayers, the Commission shall consider allocations that maximize the number of qualified taxpayers that receive a certification.*

*F. For any taxable year, the Commission may not certify more than \$5,000,000 in tax credits.*

***.07 Delegation to Secretary.***

*The Commission delegates to the Secretary the responsibility and authority to act on its behalf in administering the Student Loan Debt Relief Tax Credit program, including the authority to certify or deny a Student Loan Debt Relief Tax Credit application.*