
By: **Delegates Ports, Stocksdale, Schade, Jacobs, Beck, and Elliott**
Introduced and read first time: February 13, 1998
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **School Tuition Organizations and Public School Activities - State Income**
3 **Tax Credit**

4 FOR the purpose of allowing an individual or a corporation a credit against the State
5 income tax for certain contributions to certain school tuition organizations,
6 subject to a certain limitation; allowing an individual or a corporation a credit
7 against the State income tax for certain amounts paid or contributions made to
8 a public school in the State for certain school sponsored activities, subject to a
9 certain limitation; providing for the carryforward of certain unused credits;
10 defining certain terms; providing for a certain reduction of itemized deductions
11 if certain credits are claimed under certain circumstances; providing for the
12 application of this Act; and generally relating to a State income tax credit for
13 certain contributions to certain school tuition organizations and for certain
14 amounts paid or contributions made to a public school in the State.

15 BY repealing and reenacting, with amendments,
16 Article - Tax - General
17 Section 10-218
18 Annotated Code of Maryland
19 (1997 Replacement Volume)

20 BY adding to
21 Article - Tax - General
22 Section 10-709 and 10-710
23 Annotated Code of Maryland
24 (1997 Replacement Volume)

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

1 **Article - Tax - General**

2 10-218.

3 (a) Only an individual who itemizes deductions on the individual's federal
4 income tax return may elect to itemize deductions on the individual's income tax
5 return.

6 (b) An individual who elects to itemize deductions is allowed as a deduction
7 the sum of the individual's federal itemized deductions:

8 (1) limited and reduced as required under the Internal Revenue Code;
9 [and]

10 (2) FURTHER REDUCED BY ANY AMOUNT DEDUCTED UNDER § 170 OF
11 THE INTERNAL REVENUE CODE FOR CONTRIBUTIONS TO A SCHOOL TUITION
12 ORGANIZATION OR A PUBLIC SCHOOL FOR WHICH A CREDIT IS CLAIMED UNDER §
13 10-709 OR § 10-710 OF THIS TITLE; AND

14 [(2)] (3) further reduced by the amount claimed as taxes on income paid
15 to a state or political subdivision of a state, after subtracting a pro rata portion of the
16 reduction to itemized deductions required under § 68 of the Internal Revenue Code.

17 10-709.

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

20 (2) "QUALIFIED SCHOOL" MEANS A NONGOVERNMENTAL PRIMARY OR
21 SECONDARY SCHOOL IN THE STATE THAT:

22 (I) DOES NOT DISCRIMINATE ON THE BASIS OF RACE, COLOR, SEX,
23 HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN; AND

24 (II) SATISFIES THE REQUIREMENTS PRESCRIBED BY LAW FOR
25 PRIVATE SCHOOLS IN THE STATE.

26 (3) "SCHOOL TUITION ORGANIZATION" MEANS A CHARITABLE
27 ORGANIZATION IN THE STATE THAT:

28 (I) IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER §
29 501(C)(3) OF THE INTERNAL REVENUE CODE;

30 (II) ALLOCATES AT LEAST 90% OF ITS ANNUAL REVENUE FOR
31 EDUCATION SCHOLARSHIPS OR TUITION GRANTS TO CHILDREN TO ALLOW THEM TO
32 ATTEND ANY QUALIFIED SCHOOL OF THEIR PARENTS' CHOICE; AND

33 (III) PROVIDES EDUCATIONAL SCHOLARSHIPS OR TUITION GRANTS
34 TO STUDENTS WITHOUT LIMITING AVAILABILITY TO ONLY STUDENTS OF ONE
35 SCHOOL.

1 (B) AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE
2 STATE INCOME TAX FOR ANY TAXABLE YEAR IN AN AMOUNT EQUAL TO THE LESSER
3 OF:

4 (1) 50% OF THE AMOUNT OF VOLUNTARY CASH CONTRIBUTIONS MADE
5 BY THE TAXPAYER DURING THE TAXABLE YEAR TO A SCHOOL TUITION
6 ORGANIZATION; OR

7 (2) \$50.

8 (C) THE LIMIT UNDER SUBSECTION (B)(2) OF THIS SECTION IS \$25 EACH FOR A
9 HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR.

10 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
11 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, THE TAXPAYER MAY
12 APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX FOR SUCCEEDING
13 TAXABLE YEARS UNTIL THE EARLIER OF:

14 (1) THE FULL AMOUNT OF THE EXCESS BEING USED; OR

15 (2) THE EXPIRATION OF THE FIFTH TAXABLE YEAR FOLLOWING THE
16 TAXABLE YEAR DURING WHICH THE TAXPAYER MADE THE CONTRIBUTION.

17 (E) THE CREDIT UNDER THIS SECTION IS NOT ALLOWED IF THE TAXPAYER
18 DESIGNATES THE TAXPAYER'S DONATION TO THE SCHOOL TUITION ORGANIZATION
19 FOR THE DIRECT BENEFIT OF ANY DEPENDENT OF THE TAXPAYER.

20 10-710.

21 (A) IN THIS SECTION, "EQUIPMENT NEEDED FOR SCHOOL ACTIVITIES"
22 INCLUDES:

23 (1) BAND UNIFORMS AND INSTRUMENTS;

24 (2) ATHLETIC EQUIPMENT AND UNIFORMS;

25 (3) SCIENTIFIC OR COMPUTER LABORATORY EQUIPMENT OR
26 MATERIALS; AND

27 (4) BLEACHERS.

28 (B) SUBJECT TO THE LIMITATION UNDER SUBSECTION (C) OF THIS SECTION,
29 AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE
30 INCOME TAX FOR A TAXABLE YEAR IN AN AMOUNT EQUAL TO 50% OF THE SUM OF:

31 (1) AMOUNTS PAID TO A PUBLIC SCHOOL IN THE STATE FOR A STUDENT
32 TO PARTICIPATE IN CURRICULAR AND EXTRACURRICULAR SCHOOL ACTIVITIES,
33 INCLUDING CHARGES FOR EQUIPMENT NEEDED FOR SCHOOL ACTIVITIES;

1 (2) VOLUNTARY CASH CONTRIBUTIONS MADE TO A PUBLIC SCHOOL
2 LOCATED IN THE STATE FOR THE PURCHASE OF EQUIPMENT NEEDED FOR SCHOOL
3 ACTIVITIES; AND

4 (3) THE VALUE OF ANY CONTRIBUTIONS OF EQUIPMENT NEEDED FOR
5 SCHOOL ACTIVITIES MADE TO A PUBLIC SCHOOL LOCATED IN THE STATE.

6 (C) (1) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS
7 SECTION MAY NOT EXCEED \$50 PER INCOME TAX RETURN.

8 (2) THE LIMIT UNDER PARAGRAPH (1) OF THIS SUBSECTION IS \$25 EACH
9 FOR A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE YEAR.

10 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR
11 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, THE TAXPAYER MAY
12 APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX FOR SUCCEEDING
13 TAXABLE YEARS UNTIL THE EARLIER OF:

14 (1) THE FULL AMOUNT OF THE EXCESS BEING USED; OR

15 (2) THE EXPIRATION OF THE FIFTH TAXABLE YEAR FOLLOWING THE
16 TAXABLE YEAR DURING WHICH THE TAXPAYER PAID THE FEES OR MADE THE
17 CONTRIBUTION.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 July 1, 1998 and shall be applicable to all taxable years beginning after December 31,
20 1997.