

HOUSE BILL 1176

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Q3

1999 Regular Session
(9lr2585)

ENROLLED BILL
-- Ways and Means/Budget and Taxation --

Introduced by **Delegate Barve**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

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.

1 BY adding to
2 Article - Tax - General
3 Section 10-712
4 Annotated Code of Maryland
5 (1997 Replacement Volume and 1998 Supplement)

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

8 **Article - Tax - General**

9 10-712.

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

12 (2) ~~(A)~~ "APPROVED INDUSTRY CERTIFICATE PROGRAM" MEANS A
13 PROGRAM OF STUDY THAT:

14 ~~1-~~ (I) IS PROVIDED ~~BY A MARYLAND PROVIDER IN~~
15 MARYLAND;

16 ~~2-~~ (II) IS RECOGNIZED BY NATIONAL ACCREDITING
17 CORPORATIONS AND ASSOCIATIONS; AND

18 ~~3-~~ (III) ON SUCCESSFUL COMPLETION, ISSUES AN
19 INDIVIDUAL A CERTIFICATE OF PROFICIENCY IN A SPECIFIC WORK-RELATED SKILL
20 OR OCCUPATION THAT IS IN SHORT SUPPLY AND CRITICAL TO MARYLAND'S
21 ECONOMIC DEVELOPMENT STRATEGY, AS DESIGNATED BY THE MARYLAND HIGHER
22 EDUCATION COMMISSION UNDER SUBSECTION ~~(E)~~ (D) OF THIS SECTION.

23 ~~(H)~~ ~~"APPROVED INDUSTRY CERTIFICATE PROGRAM" DOES NOT~~
24 ~~INCLUDE A PROGRAM OF STUDY OFFERED IN AN ASSOCIATE, BACHELOR, OR~~
25 ~~GRADUATE DEGREE PROGRAM.~~

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

28 (I) PROVIDES TRAINING IN WORKPLACE DISCIPLINES AND SKILLS
29 IN SHORT SUPPLY AND CRITICAL TO MARYLAND'S ECONOMIC DEVELOPMENT
30 STRATEGY, AS DESIGNATED BY THE MARYLAND HIGHER EDUCATION COMMISSION
31 UNDER SUBSECTION ~~(E)~~ (D) OF THIS SECTION; AND

32 (II) IS APPROVED BY THE MARYLAND HIGHER EDUCATION
33 COMMISSION UNDER SUBSECTION ~~(E)~~ (D) OF THIS SECTION AS QUALIFYING FOR THE
34 TAX CREDIT UNDER THIS SECTION.

35 (4) "ELIGIBLE EDUCATIONAL INSTITUTION" MEANS A MARYLAND
36 COLLEGE, UNIVERSITY, PRIVATE CAREER SCHOOL, OR OTHER POSTSECONDARY

1 EDUCATIONAL INSTITUTION THAT IS AN ELIGIBLE EDUCATIONAL INSTITUTION
2 WITHIN THE MEANING OF § 25A OF THE INTERNAL REVENUE CODE.

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

7 (II) "QUALIFIED TUITION AND RELATED EXPENSES" DOES NOT
8 INCLUDE:

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

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

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

21 (2) (I) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR
22 THE TAXABLE YEAR EXCEEDS ~~\$50,000~~ \$65,000, THE CREDIT OTHERWISE ALLOWED
23 UNDER THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION
24 OF \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME
25 EXCEEDS ~~\$50,000~~ \$65,000.

26 (II) IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE
27 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE
28 TAXABLE YEAR EXCEEDS ~~\$25,000~~ \$32,500, THE CREDIT OTHERWISE ALLOWED UNDER
29 THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$500 OR FRACTION OF \$500
30 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS ~~\$25,000~~
31 \$32,500.

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

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

38 1. COMMENCE EMPLOYMENT IN THE STATE IN AN
39 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED
40 INDUSTRY CERTIFICATE PROGRAM WITHIN 1 YEAR AFTER SUCCESSFUL

1 COMPLETION OF THE APPROVED PROGRAM OR APPROVED INDUSTRY CERTIFICATE
2 PROGRAM; AND

3 2. CONTINUE EMPLOYMENT IN THE STATE IN AN
4 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED
5 INDUSTRY CERTIFICATE PROGRAM FOR 1 YEAR FOR EACH YEAR THAT A CREDIT
6 UNDER THIS SUBSECTION WAS ALLOWED WITH RESPECT TO THE APPROVED
7 PROGRAM OR APPROVED INDUSTRY CERTIFICATE PROGRAM.

8 (II) IF THE INDIVIDUAL ENROLLED IN THE APPROVED PROGRAM
9 OR APPROVED INDUSTRY CERTIFICATE PROGRAM WITH RESPECT TO WHICH A
10 CREDIT UNDER THIS SUBSECTION IS ALLOWED FAILS TO SATISFY THE SERVICE
11 OBLIGATION DESCRIBED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
12 CREDIT ALLOWED UNDER THIS SUBSECTION SHALL BE RECAPTURED FOR EACH
13 YEAR AS TO WHICH THE SERVICE OBLIGATION IS NOT SATISFIED, UNDER
14 REGULATIONS THAT THE COMPTROLLER ADOPTS.

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

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

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

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

30 ~~(E) (D) (1) AFTER CONSULTATION WITH THE SECRETARY OF BUSINESS~~
31 ~~AND ECONOMIC DEVELOPMENT, THE SECRETARY OF LABOR, LICENSING, AND~~
32 ~~REGULATION, AND THE APPROPRIATE ADVISORY BOARDS, THE SECRETARY OF THE~~
33 ~~MARYLAND HIGHER EDUCATION COMMISSION, EVALUATING SUCH FACTORS AS~~
34 ~~HIGH ECONOMIC GROWTH MARYLAND'S ECONOMIC DEVELOPMENT STRATEGY AND~~
35 ~~THE NEEDS OF MARYLAND'S BUSINESS COMMUNITY:~~

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

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

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

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

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 July 1, 1999, and shall be applicable to all taxable years beginning after December 31,
17 1998.