

HOUSE BILL 1176

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Q3

1999 Regular Session
9lr2585
CF 9lr0851

By: **Delegate Barve**

Introduced and read first time: March 3, 1999

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

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.

18 BY adding to
19 Article - Tax - General
20 Section 10-712
21 Annotated Code of Maryland
22 (1997 Replacement Volume and 1998 Supplement)

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

25 **Article - Tax - General**

26 10-712.

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

1 (2) (I) "APPROVED INDUSTRY CERTIFICATE PROGRAM" MEANS A
2 PROGRAM OF STUDY THAT:

3 1. IS PROVIDED BY A MARYLAND PROVIDER;

4 2. IS RECOGNIZED BY NATIONAL ACCREDITING
5 CORPORATIONS AND ASSOCIATIONS; AND

6 3. ON SUCCESSFUL COMPLETION, ISSUES AN INDIVIDUAL A
7 CERTIFICATE OF PROFICIENCY IN A SPECIFIC WORK-RELATED SKILL OR
8 OCCUPATION THAT IS IN SHORT SUPPLY AND CRITICAL TO MARYLAND'S ECONOMIC
9 DEVELOPMENT STRATEGY, AS DESIGNATED BY THE MARYLAND HIGHER EDUCATION
10 COMMISSION UNDER SUBSECTION (E) OF THIS SECTION.

11 (II) "APPROVED INDUSTRY CERTIFICATE PROGRAM" DOES NOT
12 INCLUDE A PROGRAM OF STUDY OFFERED IN AN ASSOCIATE, BACHELOR, OR
13 GRADUATE DEGREE PROGRAM.

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

16 (I) PROVIDES TRAINING IN WORKPLACE DISCIPLINES AND SKILLS
17 IN SHORT SUPPLY AND CRITICAL TO MARYLAND'S ECONOMIC DEVELOPMENT
18 STRATEGY, AS DESIGNATED BY THE MARYLAND HIGHER EDUCATION COMMISSION
19 UNDER SUBSECTION (E) OF THIS SECTION; AND

20 (II) IS APPROVED BY THE MARYLAND HIGHER EDUCATION
21 COMMISSION UNDER SUBSECTION (E) OF THIS SECTION AS QUALIFYING FOR THE
22 TAX CREDIT UNDER THIS SECTION.

23 (4) "ELIGIBLE EDUCATIONAL INSTITUTION" MEANS A MARYLAND
24 COLLEGE, UNIVERSITY, PRIVATE CAREER SCHOOL, OR OTHER POSTSECONDARY
25 EDUCATIONAL INSTITUTION THAT IS AN ELIGIBLE EDUCATIONAL INSTITUTION
26 WITHIN THE MEANING OF § 25A OF THE INTERNAL REVENUE CODE.

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

31 (II) "QUALIFIED TUITION AND RELATED EXPENSES" DOES NOT
32 INCLUDE:

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

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

1 (B) (1) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, AN
2 INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT
3 EQUAL TO 30% OF UP TO \$5,000 PAID BY THE INDIVIDUAL DURING THE TAXABLE YEAR
4 FOR QUALIFIED TUITION AND RELATED EXPENSES FOR THE INDIVIDUAL OR THE
5 INDIVIDUAL'S SPOUSE OR DEPENDENTS.

6 (2) (I) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR
7 THE TAXABLE YEAR EXCEEDS \$50,000, THE CREDIT OTHERWISE ALLOWED UNDER
8 THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION OF
9 \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS
10 \$50,000.

11 (II) IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE
12 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE
13 TAXABLE YEAR EXCEEDS \$25,000, THE CREDIT OTHERWISE ALLOWED UNDER THIS
14 SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$500 OR FRACTION OF \$500 BY
15 WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$25,000.

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

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

22 1. COMMENCE EMPLOYMENT IN THE STATE IN AN
23 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED
24 INDUSTRY CERTIFICATE PROGRAM WITHIN 1 YEAR AFTER SUCCESSFUL
25 COMPLETION OF THE APPROVED PROGRAM OR APPROVED INDUSTRY CERTIFICATE
26 PROGRAM; AND

27 2. CONTINUE EMPLOYMENT IN THE STATE IN AN
28 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED
29 INDUSTRY CERTIFICATE PROGRAM FOR 1 YEAR FOR EACH YEAR THAT A CREDIT
30 UNDER THIS SUBSECTION WAS ALLOWED WITH RESPECT TO THE APPROVED
31 PROGRAM OR APPROVED INDUSTRY CERTIFICATE PROGRAM.

32 (II) IF THE INDIVIDUAL ENROLLED IN THE APPROVED PROGRAM
33 OR APPROVED INDUSTRY CERTIFICATE PROGRAM WITH RESPECT TO WHICH A
34 CREDIT UNDER THIS SUBSECTION IS ALLOWED FAILS TO SATISFY THE SERVICE
35 OBLIGATION DESCRIBED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
36 CREDIT ALLOWED UNDER THIS SUBSECTION SHALL BE RECAPTURED FOR EACH
37 YEAR AS TO WHICH THE SERVICE OBLIGATION IS NOT SATISFIED, UNDER
38 REGULATIONS THAT THE COMPTROLLER ADOPTS.

39 (C) (1) SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS
40 SUBSECTION, AN EMPLOYER MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX
41 IN AN AMOUNT EQUAL TO 30% OF THE AMOUNT PAID BY THE EMPLOYER DURING

1 THE TAXABLE YEAR FOR QUALIFIED TUITION AND RELATED EXPENSES FOR THE
2 EMPLOYER'S EMPLOYEES IN THE STATE.

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

6 (D) (1) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE
7 STATE INCOME TAX IMPOSED FOR THE TAXABLE YEAR, DETERMINED BEFORE THE
8 APPLICATION OF THE CREDITS UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF
9 THIS SUBTITLE BUT AFTER THE APPLICATION OF ANY OTHER CREDIT UNDER THIS
10 SUBTITLE.

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

13 (E) (1) AFTER CONSULTATION WITH THE SECRETARY OF BUSINESS AND
14 ECONOMIC DEVELOPMENT, THE SECRETARY OF LABOR, LICENSING, AND
15 REGULATION, AND THE APPROPRIATE ADVISORY BOARDS, THE SECRETARY OF THE
16 MARYLAND HIGHER EDUCATION COMMISSION, EVALUATING SUCH FACTORS AS
17 HIGH ECONOMIC GROWTH AND THE NEEDS OF MARYLAND'S BUSINESS COMMUNITY:

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

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

24 (2) (I) THE SECRETARY OF THE MARYLAND HIGHER EDUCATION
25 COMMISSION SHALL SUBMIT THE PROPOSED DESIGNATION UNDER PARAGRAPH (1)(I)
26 OF THIS SUBSECTION OF THE WORK-RELATED SKILLS AND OCCUPATIONS THAT ARE
27 IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S ECONOMIC DEVELOPMENT
28 STRATEGY AND ANY PROPOSED MODIFICATIONS OF THAT DESIGNATION TO THE
29 JOINT COMMITTEE ON ADMINISTRATIVE, EXECUTIVE, AND LEGISLATIVE REVIEW
30 FOR REVIEW AND COMMENT.

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

37 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
38 July 1, 1999, and shall be applicable to all taxable years beginning after December 31,
39 1998.