

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

Re-referred to: Ways and Means, March 5, 1999

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 27, 1999

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.~~

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:

Article - Tax - General

10-712.

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

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

1. ~~IS PROVIDED BY A MARYLAND PROVIDER~~ IN MARYLAND;

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

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

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

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

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

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

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

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

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

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

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

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

13 (2) (I) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR
14 THE TAXABLE YEAR EXCEEDS \$50,000, THE CREDIT OTHERWISE ALLOWED UNDER
15 THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION OF
16 \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS
17 \$50,000.

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

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

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

29 1. COMMENCE EMPLOYMENT IN THE STATE IN AN
30 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED
31 INDUSTRY CERTIFICATE PROGRAM WITHIN 1 YEAR AFTER SUCCESSFUL
32 COMPLETION OF THE APPROVED PROGRAM OR APPROVED INDUSTRY CERTIFICATE
33 PROGRAM; AND

34 2. CONTINUE EMPLOYMENT IN THE STATE IN AN
35 OCCUPATION DIRECTLY RELATED TO THE APPROVED PROGRAM OR APPROVED
36 INDUSTRY CERTIFICATE PROGRAM FOR 1 YEAR FOR EACH YEAR THAT A CREDIT
37 UNDER THIS SUBSECTION WAS ALLOWED WITH RESPECT TO THE APPROVED
38 PROGRAM OR APPROVED INDUSTRY CERTIFICATE PROGRAM.

39 (II) IF THE INDIVIDUAL ENROLLED IN THE APPROVED PROGRAM
40 OR APPROVED INDUSTRY CERTIFICATE PROGRAM WITH RESPECT TO WHICH A
41 CREDIT UNDER THIS SUBSECTION IS ALLOWED FAILS TO SATISFY THE SERVICE

1 OBLIGATION DESCRIBED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
2 CREDIT ALLOWED UNDER THIS SUBSECTION SHALL BE RECAPTURED FOR EACH
3 YEAR AS TO WHICH THE SERVICE OBLIGATION IS NOT SATISFIED, UNDER
4 REGULATIONS THAT THE COMPTROLLER ADOPTS.

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

10 ~~(2)~~ (2) ~~FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS~~
11 ~~SUBSECTION MAY NOT EXCEED \$1,500 FOR EACH EMPLOYEE ENROLLED IN AN~~
12 ~~APPROVED PROGRAM OR AN APPROVED INDUSTRY CERTIFICATE PROGRAM.~~

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

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

20 ~~(E)~~ (D) (1) ~~AFTER CONSULTATION WITH THE SECRETARY OF BUSINESS~~
21 ~~AND ECONOMIC DEVELOPMENT, THE SECRETARY OF LABOR, LICENSING, AND~~
22 ~~REGULATION, AND THE APPROPRIATE ADVISORY BOARDS, THE SECRETARY OF THE~~
23 ~~MARYLAND HIGHER EDUCATION COMMISSION, EVALUATING SUCH FACTORS AS~~
24 ~~HIGH ECONOMIC GROWTH AND THE NEEDS OF MARYLAND'S BUSINESS COMMUNITY:~~

25 (I) ~~SHALL IDENTIFY AND DESIGNATE THE WORK-RELATED SKILLS~~
26 ~~AND OCCUPATIONS THAT ARE IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S~~
27 ~~ECONOMIC DEVELOPMENT STRATEGY; AND~~

28 (II) ~~ANNUALLY SHALL ESTABLISH A LIST OF APPROVED PROGRAMS~~
29 ~~AT ELIGIBLE EDUCATIONAL INSTITUTIONS AND APPROVED INDUSTRY CERTIFICATE~~
30 ~~PROGRAMS QUALIFYING FOR THE TAX CREDITS UNDER THIS SECTION.~~

31 (2) (I) ~~THE SECRETARY OF THE MARYLAND HIGHER EDUCATION~~
32 ~~COMMISSION SHALL SUBMIT THE PROPOSED DESIGNATION UNDER PARAGRAPH (1)(I)~~
33 ~~OF THIS SUBSECTION OF THE WORK-RELATED SKILLS AND OCCUPATIONS THAT ARE~~
34 ~~IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S ECONOMIC DEVELOPMENT~~
35 ~~STRATEGY AND ANY PROPOSED MODIFICATIONS OF THAT DESIGNATION TO THE~~
36 ~~JOINT COMMITTEE ON ADMINISTRATIVE, EXECUTIVE, AND LEGISLATIVE REVIEW~~
37 ~~FOR REVIEW AND COMMENT.~~

38 (II) ~~THE PROPOSED DESIGNATION OF WORK-RELATED SKILLS AND~~
39 ~~OCCUPATIONS THAT ARE IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S~~
40 ~~ECONOMIC DEVELOPMENT STRATEGY AND ANY PROPOSED MODIFICATION OF THAT~~
41 ~~DESIGNATION MAY NOT TAKE EFFECT UNTIL AT LEAST 45 DAYS AFTER SUBMISSION~~

1 OF THE PROPOSED ACTION TO THE JOINT COMMITTEE ON ADMINISTRATIVE,
2 EXECUTIVE, AND LEGISLATIVE REVIEW.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 July 1, 1999, and shall be applicable to all taxable years beginning after December 31,
5 1998.