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By: **Senators Hogan, Lawlah, Neall, Munson, Teitelbaum, and Mitchell**  
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Assigned to: Budget and Taxation

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

3 (I) IS PROVIDED IN MARYLAND;

4 (II) IS RECOGNIZED BY NATIONAL ACCREDITING CORPORATIONS  
5 AND ASSOCIATIONS; AND

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

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

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

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

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

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

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

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

36 (B) (1) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, AN  
37 INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT  
38 EQUAL TO 30% OF UP TO \$5,000 PAID BY THE INDIVIDUAL DURING THE TAXABLE YEAR

1 FOR QUALIFIED TUITION AND RELATED EXPENSES FOR THE INDIVIDUAL OR THE  
2 INDIVIDUAL'S SPOUSE OR DEPENDENTS.

3           (2)    (I)    IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR  
4 THE TAXABLE YEAR EXCEEDS \$80,000, THE CREDIT OTHERWISE ALLOWED UNDER  
5 THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION OF  
6 \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS  
7 \$80,000.

8            (II)    IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE  
9 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE  
10 TAXABLE YEAR EXCEEDS \$40,000, THE CREDIT OTHERWISE ALLOWED UNDER THIS  
11 SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$500 OR FRACTION OF \$500 BY  
12 WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$40,000.

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

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

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

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

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

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

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

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

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

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

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

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

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