

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

Senate Bill 423 (Senator Hogan. *et al.*)

Budget and Taxation

---

**Critical Skills Training - Income Tax Credit for Individuals**

---

This bill creates an income tax credit for tuition and related expenses that are required for enrollment in an approved program that provides training in skills that are in short supply and critical to Maryland's economic development strategy.

The bill takes effect July 1, 1999 and is applicable to all taxable years beginning after December 31, 1998.

---

**Fiscal Summary**

**State Effect:** Indeterminate but potentially significant general fund revenue decrease. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** Minimal.

---

**Fiscal Analysis**

**Bill Summary:** The credit against the personal income tax is 30% of up to \$5,000 in qualified expenses for the individual, spouse, or dependent during the taxable year; the full amount of the credit is available to individuals whose federal adjusted gross income (FAGI) is at or below \$65,000 (\$32,500 if married filing separately) and it is reduced by 5% for every \$1,000, or fraction thereof, that FAGI exceeds \$65,000 (or 5% for every \$500, or fraction thereof, if married filing separately).

The individual claiming the credit must commence employment in the State in an occupation directly related to the approved program within one year of completion of the program and

remain in that job for one year for each year that a credit was claimed. Otherwise, the credit claimed will be recaptured for each year that the service obligation is not satisfied.

The Secretary of the Maryland Higher Education Commission (MHEC), in consultation with various State agencies, is required to identify and designate work-related skills that are in short supply and critical to Maryland's economic development strategy and establish a list of approved programs that qualify for the tax credit. The proposed designation of critical work-related skills and any modifications to the designations must be submitted to the Joint Committee on Administrative, Executive, and Legislative Review for review by November 1 each year.

**State Revenues:** Maryland's plan for economic development targets sectors of commerce that support growth for Maryland, such as the tourism, agriculture, health, computer, and technology sectors. In 1996 MHEC conducted a survey to identify the unmet workforce needs of employers. The survey listed the academic fields for which employers had strong demand but were not getting a sufficient number of applicants to fill job openings. The survey identified degree programs at community colleges and universities, as well as 49 community college certificate programs, that were in short supply. These included areas in computer and information technology, agriculture, tourism, and health. During the 1997 legislative interim, MHEC and the Department of Business and Economic Development developed a plan for workforce training in the areas of computer science, engineering, and technology; these sectors having been identified as areas in which the number of sufficient qualified applicants was not meeting demand.

The bill would apply to all certificate programs offered through community colleges and private career schools as well as programs in eligible institutions that were approved by MHEC as in short supply and critical to Maryland's strategic plan. The number and types of programs that would ultimately be designated by MHEC, however, cannot be determined at this time. Consequently, general fund revenues would decrease by an indeterminate but potentially significant amount in fiscal 2000.

For illustrative purposes, if MHEC designates only information technology certificate programs as approved programs, about 1,159 individuals may claim the tax credit in tax year 1999. This is based on the number of individuals who graduated from a certificate program in a community college or private career school in 1998 with a certificate in computer or information technology. Assuming all these programs qualify under the bill and all these individuals meet the participation requirements, the general fund loss in fiscal 2000 would be about \$1.7 million.

The cost would increase if more programs are designated as critical-skilled programs, such as degree programs or programs in the areas of tourism and agriculture. The cost depends on the number of programs that meet the designation and accreditation requirements, and whether all eligible individuals are aware of and claim the credit.

---

**Information Source(s):** Maryland Higher Education Commission, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 1999  
Inc/jr Revised - Senate Third Reader - March 29, 1999  
Revised - Enrolled Bill - April 21, 1999

---

Analysis by: Lina Walker

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510