

SENATE BILL 455

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Q3

2001 Regular Session
1r1888

By: **Senators Hogan and Teitelbaum**

Introduced and read first time: February 2, 2001

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Critical Skills and Occupations - Income Tax Credits for Individuals**

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 individual who becomes a resident of the State and
8 commences employment in certain occupations designated as in short supply
9 and critical to Maryland's economic development strategy to claim a credit
10 against the State income tax in a certain amount, subject to certain limitations;
11 requiring the Secretary of the Maryland Higher Education Commission after
12 consultation with certain persons to approve certain educational programs as
13 qualifying for the tax credits and to designate work-related skills and
14 occupations that are in short supply and are critical to Maryland's economic
15 development strategy; defining certain terms; providing for the application of
16 this Act; and generally relating to certain income tax credits for individuals
17 relating to certain work-related skills and occupations designated as in short
18 supply and critical to Maryland's economic development strategy.

19 BY adding to
20 Article - Tax - General
21 Section 10-722
22 Annotated Code of Maryland
23 (1997 Replacement Volume and 2000 Supplement)

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

26 **Article - Tax - General**

27 10-722.

28 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
29 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 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 THIS SECTION; AND

17 (II) IS APPROVED BY THE MARYLAND HIGHER EDUCATION
18 COMMISSION UNDER THIS SECTION AS QUALIFYING FOR THE TAX CREDIT UNDER
19 SUBSECTION (B) OF 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 AND NOT REIMBURSED BY AN EMPLOYER OR
3 OTHERWISE.

4 (2) (I) IF AN INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR
5 THE TAXABLE YEAR EXCEEDS \$65,000, THE CREDIT OTHERWISE ALLOWED UNDER
6 THIS SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$1,000 OR FRACTION OF
7 \$1,000 BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS
8 \$65,000.

9 (II) IN THE CASE OF A MARRIED INDIVIDUAL FILING A SEPARATE
10 RETURN, IF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME FOR THE
11 TAXABLE YEAR EXCEEDS \$32,500, THE CREDIT OTHERWISE ALLOWED UNDER THIS
12 SUBSECTION SHALL BE REDUCED BY 5% FOR EACH \$500 OR FRACTION OF \$500 BY
13 WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS \$32,500.

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

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

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

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

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

37 (C) AN INDIVIDUAL WHO BECOMES A RESIDENT OF THE STATE DURING THE
38 TAXABLE YEAR AND COMMENCES EMPLOYMENT IN THE STATE DURING THE
39 TAXABLE YEAR IN AN OCCUPATION THAT IS IN SHORT SUPPLY AND CRITICAL TO
40 MARYLAND'S ECONOMIC DEVELOPMENT STRATEGY, AS DESIGNATED BY THE
41 MARYLAND HIGHER EDUCATION COMMISSION UNDER THIS SECTION, MAY CLAIM A
42 CREDIT AGAINST THE INCOME TAX IN THE AMOUNT OF \$1,000.

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

6 (2) THE UNUSED AMOUNT OF THE CREDITS UNDER THIS SECTION FOR
7 ANY TAXABLE YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

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

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

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

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

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

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
35 July 1, 2001, and shall be applicable to all taxable years beginning after December 31,
36 2000.