

SENATE BILL 455

Unofficial Copy  
Q3

2001 Regular Session  
1lr1888

---

By: ~~Senators Hogan and Teitelbaum, Teitelbaum, Hoffman, Van Hollen,~~  
Currie, Kasemeyer, Lawlah, Madden, McFadden, Middleton, Munson,  
Neall, Ruben, and Stoltzfus

Introduced and read first time: February 2, 2001

Assigned to: Budget and Taxation

---

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 22, 2001

---

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Critical Skills and Occupations - Income Tax ~~Credits~~ Credit 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)

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

3 **Article - Tax - General**

4 10-722.

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

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

9 (I) IS PROVIDED IN MARYLAND;

10 (II) IS RECOGNIZED BY NATIONAL ACCREDITING CORPORATIONS  
11 AND ASSOCIATIONS; AND

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

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

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

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

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

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

34 (II) "QUALIFIED TUITION AND RELATED EXPENSES" DOES NOT  
35 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 \$65,000, 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 \$65,000.

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 \$32,500, 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 \$32,500.

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) AN INDIVIDUAL WHO BECOMES A RESIDENT OF THE STATE DURING THE~~  
6 ~~TAXABLE YEAR AND COMMENCES EMPLOYMENT IN THE STATE DURING THE~~  
7 ~~TAXABLE YEAR IN AN OCCUPATION THAT IS IN SHORT SUPPLY AND CRITICAL TO~~  
8 ~~MARYLAND'S ECONOMIC DEVELOPMENT STRATEGY, AS DESIGNATED BY THE~~  
9 ~~MARYLAND HIGHER EDUCATION COMMISSION UNDER THIS SECTION, MAY CLAIM A~~  
10 ~~CREDIT AGAINST THE INCOME TAX IN THE AMOUNT OF \$1,000.~~

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

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

19 ~~(E)~~ (D) (1) AFTER CONSULTATION WITH THE SECRETARY OF BUSINESS  
20 AND ECONOMIC DEVELOPMENT, THE SECRETARY OF LABOR, LICENSING, AND  
21 REGULATION, AND THE APPROPRIATE ADVISORY BOARDS, THE SECRETARY OF THE  
22 MARYLAND HIGHER EDUCATION COMMISSION, EVALUATING SUCH FACTORS AS  
23 MARYLAND'S ECONOMIC DEVELOPMENT STRATEGY AND THE NEEDS OF MARYLAND'S  
24 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~~ CREDIT UNDER THIS SECTION.

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

39 (II) THE PROPOSED DESIGNATION OF WORK-RELATED SKILLS AND  
40 OCCUPATIONS THAT ARE IN SHORT SUPPLY AND ARE CRITICAL TO MARYLAND'S  
41 ECONOMIC DEVELOPMENT STRATEGY AND ANY PROPOSED MODIFICATION OF THAT  
42 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, 2001, and shall be applicable to all taxable years beginning after December 31,  
5 2000.