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By: **Delegates Boutin, W. Baker, Elliott, Fulton, Greenip, Klima, La Vay,  
Minnick, Ports, Redmer, Snodgrass, Stocksdale, and Stull**

Introduced and read first time: January 31, 2002

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Credit for Contributions to School Tuition Organizations**

3 FOR the purpose of allowing an individual or a corporation a credit against the State  
4 income tax for certain contributions to certain school tuition organizations,  
5 subject to a certain limitation; defining certain terms; providing for the  
6 carryover of unused credit if the credit exceeds the total tax payable for a  
7 taxable year; providing for a certain reduction of itemized deductions if certain  
8 credits are claimed under certain circumstances; providing for the application of  
9 this Act; and generally relating to a State income tax credit for certain  
10 contributions to certain school tuition organizations.

11 BY repealing and reenacting, with amendments,  
12 Article - Tax - General  
13 Section 10-218  
14 Annotated Code of Maryland  
15 (1997 Replacement Volume and 2001 Supplement)

16 BY adding to  
17 Article - Tax - General  
18 Section 10-724  
19 Annotated Code of Maryland  
20 (1997 Replacement Volume and 2001 Supplement)

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

23 **Article - Tax - General**

24 10-218.

25 (a) Only an individual who itemizes deductions on the individual's federal  
26 income tax return may elect to itemize deductions on the individual's income tax  
27 return.

1 (b) An individual who elects to itemize deductions is allowed as a deduction  
2 the sum of the individual's federal itemized deductions:

3 (1) limited and reduced as required under the Internal Revenue Code;

4 (2) further reduced by any amount deducted under § 170 of the Internal  
5 Revenue Code for:

6 (I) contributions of a preservation or conservation easement for  
7 which a credit is claimed under § 10-723 of this title; and

8 (II) CONTRIBUTIONS TO A SCHOOL TUITION ORGANIZATION FOR  
9 WHICH A CREDIT IS CLAIMED UNDER § 10-724 OF THIS TITLE; AND

10 (3) further reduced by the amount claimed as taxes on income paid to a  
11 state or political subdivision of a state, after subtracting a pro rata portion of the  
12 reduction to itemized deductions required under § 68 of the Internal Revenue Code.

13 10-724.

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

16 (2) "QUALIFIED SCHOOL" MEANS A PRIVATE PRIMARY OR SECONDARY  
17 SCHOOL IN THE STATE THAT:

18 (I) DOES NOT DISCRIMINATE ON THE BASIS OF RACE, COLOR, SEX,  
19 DISABILITY, FAMILIAL STATUS, OR NATIONAL ORIGIN; AND

20 (II) SATISFIES THE REQUIREMENTS PRESCRIBED BY LAW FOR  
21 PRIVATE SCHOOLS IN THE STATE.

22 (3) "SCHOOL TUITION ORGANIZATION" MEANS A CHARITABLE  
23 ORGANIZATION IN THE STATE THAT:

24 (I) IS EXEMPT FROM FEDERAL INCOME TAXATION UNDER §  
25 501(C)(3) OF THE INTERNAL REVENUE CODE;

26 (II) ALLOCATES AT LEAST 90% OF ITS ANNUAL REVENUE FOR  
27 EDUCATION SCHOLARSHIPS OR TUITION GRANTS TO CHILDREN TO ALLOW THEM TO  
28 ATTEND ANY QUALIFIED SCHOOL OF THEIR PARENTS' CHOICE; AND

29 (III) PROVIDES EDUCATIONAL SCHOLARSHIPS OR TUITION GRANTS  
30 TO STUDENTS WITHOUT LIMITING AVAILABILITY TO ONLY STUDENTS OF ONE  
31 SCHOOL.

32 (B) SUBJECT TO THE LIMITATION UNDER SUBSECTION (C) OF THIS SECTION,  
33 AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE  
34 INCOME TAX IN AN AMOUNT EQUAL TO 100% OF THE AMOUNT OF VOLUNTARY  
35 MONETARY CONTRIBUTIONS MADE BY THE TAXPAYER DURING THE TAXABLE YEAR  
36 TO A SCHOOL TUITION ORGANIZATION.

1 (C) (1) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS  
2 SECTION MAY NOT EXCEED \$500 PER INCOME TAX RETURN.

3 (2) THE LIMIT UNDER PARAGRAPH (1) OF THIS SUBSECTION IS \$250  
4 EACH FOR A HUSBAND AND WIFE WHO FILE SEPARATE RETURNS FOR A TAXABLE  
5 YEAR.

6 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR  
7 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, A TAXPAYER MAY  
8 APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX FOR SUCCEEDING  
9 TAXABLE YEARS UNTIL THE EARLIER OF:

10 (1) THE FULL AMOUNT OF THE EXCESS IS USED; OR

11 (2) THE EXPIRATION OF THE 5TH TAXABLE YEAR AFTER THE TAXABLE  
12 YEAR IN WHICH THE TAXPAYER MADE THE DONATION.

13 (E) THE CREDIT UNDER THIS SECTION IS NOT ALLOWED IF THE TAXPAYER  
14 DESIGNATES THE TAXPAYER'S CONTRIBUTION TO THE SCHOOL TUITION  
15 ORGANIZATION FOR THE DIRECT BENEFIT OF ANY DEPENDENT OF THE TAXPAYER.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
17 July 1, 2002, and shall be applicable to all taxable years beginning after December 31,  
18 2001.