

(PRE-FILED)

By: **Delegate Boschert**
Requested: October 22, 2003
Introduced and read first time: January 14, 2004
Assigned to: Ways and Means

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 16, 2004

CHAPTER _____

1 AN ACT concerning

2 **Tax Credit Governor's Workforce Investment Board - Higher Education**
3 **Assistance Contract Program**

4 ~~FOR the purpose of allowing a certain credit against the State income tax for higher~~
5 ~~education assistance provided by a business entity to a student who enters into~~
6 ~~a higher education assistance contract with the business entity; requiring the~~
7 ~~higher education assistance contract to contain certain employment~~
8 ~~requirements; providing that the tax credit may be earned for certain tax years;~~
9 ~~providing that the tax credit may not exceed the lesser of a certain amount of~~
10 ~~the State income tax for that taxable year; providing that any unused tax credit~~
11 ~~for a taxable year may not be carried over to any other taxable year; providing~~
12 ~~for the recapture of the tax credit under certain circumstances; defining certain~~
13 ~~terms; providing for the application of this Act; and generally relating to a tax~~
14 ~~credit against the State income tax for expenses incurred pursuant to a higher~~
15 ~~education assistance contract requiring the Governor's Workforce Investment~~
16 ~~Board to develop a higher education assistance program; providing for the~~
17 ~~purpose of the higher education assistance program; defining certain terms; and~~
18 ~~generally relating to requiring the Governor's Workforce Investment Board to~~
19 ~~develop a higher education assistance program.~~

20 BY repealing and reenacting, without amendments,
21 Article - Education
22 Section 10-101(g)
23 Annotated Code of Maryland
24 (2001 Replacement Volume and 2003 Supplement)

25 ~~BY adding to~~

1 ~~Article - Tax - General~~
2 ~~Section 10-725~~
3 ~~Annotated Code of Maryland~~
4 ~~(1997 Replacement Volume and 2003 Supplement)~~

5 BY adding to
6 Article - Labor and Employment
7 Section 11-509
8 Annotated Code of Maryland
9 (1999 Replacement Volume and 2003 Supplement)

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

12 **Article - Education**

13 10-101.

14 (g) "Institution of higher education" means an institution of postsecondary
15 education that generally limits enrollment to graduates of secondary schools, and
16 awards degrees at either the associate, baccalaureate, or graduate level.

17 ~~Article - Tax - General~~

18 ~~40-725.~~

19 **Article - Labor and Employment**

20 11-509.

21 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
22 INDICATED.

23 (2) "BUSINESS ENTITY" MEANS A PERSON CONDUCTING OR OPERATING
24 A TRADE OR BUSINESS IN MARYLAND.

25 (3) "HIGHER EDUCATION ASSISTANCE" MEANS FINANCIAL ASSISTANCE
26 PROVIDED BY A BUSINESS ENTITY TO A STUDENT OF AN INSTITUTION OF HIGHER
27 EDUCATION TO PAY PART OR ALL OF THE COST OF TUITION AND MANDATORY FEES.

28 (4) "HIGHER EDUCATION ASSISTANCE CONTRACT" MEANS A CONTRACT
29 ENTERED INTO BY A BUSINESS ENTITY AND A STUDENT OR PROSPECTIVE STUDENT
30 IN WHICH:

31 (I) THE BUSINESS ENTITY AGREES TO GIVE A STUDENT OR
32 PROSPECTIVE STUDENT HIGHER EDUCATION ASSISTANCE; AND

1 (II) THE STUDENT OR PROSPECTIVE STUDENT AGREES TO BE
2 EMPLOYED BY THE BUSINESS ENTITY IN THE STATE WITHIN 1 YEAR AFTER
3 GRADUATION FOR A PERIOD EQUAL TO 1 YEAR FOR EACH YEAR OF HIGHER
4 EDUCATION ASSISTANCE PROVIDED.

5 (5) "INSTITUTION OF HIGHER EDUCATION" HAS THE MEANING STATED
6 IN § 10-101 OF THE EDUCATION ARTICLE.

7 ~~(B) AN INDIVIDUAL OR A CORPORATION THAT ENTERS INTO A HIGHER
8 EDUCATION ASSISTANCE CONTRACT WITH A STUDENT OR PROSPECTIVE STUDENT
9 MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO
10 30% OF THE COST OF HIGHER EDUCATION ASSISTANCE INCURRED BY THE BUSINESS
11 ENTITY DURING THE TAXABLE YEAR.~~

12 ~~(C) (I) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS
13 SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE LESSER OF:~~

14 ~~(I) \$50,000; OR~~

15 ~~(II) THE STATE INCOME TAX FOR THAT TAXABLE YEAR,
16 CALCULATED BEFORE APPLICATION OF THE CREDITS UNDER THIS SECTION AND §§
17 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT AFTER APPLICATION OF THE OTHER
18 CREDITS ALLOWABLE UNDER THIS SUBTITLE.~~

19 ~~(2) THE UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE YEAR MAY
20 NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.~~

21 ~~(3) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE EARNED
22 FOR ANY TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2010.~~

23 ~~(D) (I) THE CREDITS ALLOWED UNDER THIS SECTION SHALL BE
24 RECAPTURED AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION IF A STUDENT
25 FAILS TO MEET ANY OF THE EMPLOYMENT REQUIREMENTS OF THE HIGHER
26 EDUCATION ASSISTANCE CONTRACT.~~

27 ~~(2) THE AMOUNT OF CREDITS TO BE RECAPTURED SHALL BE
28 DETERMINED BY MULTIPLYING THE TOTAL AMOUNT OF CREDITS TAKEN FOR THE
29 HIGHER EDUCATION ASSISTANCE PROVIDED TO A STUDENT BY A FRACTION THAT
30 HAS:~~

31 ~~(I) AS ITS NUMERATOR, THE TOTAL NUMBER OF YEARS OF
32 EMPLOYMENT REQUIRED UNDER THE HIGHER EDUCATION ASSISTANCE CONTRACT
33 MINUS THE NUMBER OF YEARS THE STUDENT WAS ACTUALLY EMPLOYED; AND~~

34 ~~(II) AS ITS DENOMINATOR, THE TOTAL NUMBER OF YEARS OF
35 EMPLOYMENT REQUIRED UNDER THE HIGHER EDUCATION ASSISTANCE CONTRACT.~~

36 ~~(3) THE INDIVIDUAL OR CORPORATION THAT CLAIMED THE CREDITS
37 SHALL PAY THE AMOUNT TO BE RECAPTURED AS DETERMINED UNDER PARAGRAPH
38 (2) OF THIS SUBSECTION AS TAXES PAYABLE TO THE STATE FOR THE FIRST TAXABLE~~

1 ~~YEAR IN WHICH THE EMPLOYMENT REQUIREMENTS OF THE HIGHER EDUCATION~~
2 ~~ASSISTANCE CONTRACT ARE NOT FULFILLED.~~

3 (b) THE GOVERNOR'S WORKFORCE INVESTMENT BOARD SHALL DEVELOP A
4 HIGHER EDUCATION ASSISTANCE PROGRAM.

5 (C) THE PURPOSE OF THE HIGHER EDUCATION ASSISTANCE PROGRAM IS TO
6 ASSIST BUSINESS ENTITIES AND STUDENTS OR PROSPECTIVE STUDENTS IN
7 ENTERING INTO HIGHER EDUCATION ASSISTANCE CONTRACTS.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 July 1, 2004, and shall apply to taxable years beginning after December 31, 2004.