

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1275 (Delegate Cardin, *et al.*)
 Ways and Means

Income Tax Credit for Graduate Level Education - Nonpublic School Teachers

This bill expands the existing quality teacher incentive tax credit to nonpublic school teachers. The amount of the proposed credit for nonpublic school teachers is up to \$750 of the graduate-school tuition paid by the individual that is not otherwise reimbursed by the teacher's employer during the year. In order to qualify for the credit, the nonpublic teacher must either be: (1) registered with the State Board of Education; or (2) employed by a nonpublic school that holds a certificate of approval from the State.

The bill takes effect July 1, 2004 and applies to tax year 2004 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$1.0 million in FY 2005. Out-year revenue losses reflect stable numbers of qualifying nonpublic school teachers. Expenditures would not be affected.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	(\$1,010,000)	(\$1,010,000)	(\$1,010,000)	(\$1,010,000)	(\$1,010,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$1,010,000)	(\$1,010,000)	(\$1,010,000)	(\$1,010,000)	(\$1,010,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None. The credit would be taken against the State income tax only.

Small Business Effect: None.

Analysis

Current Law: Public school teachers who pay tuition during the tax year for graduate-level courses to maintain certification may be entitled to an income tax credit. An individual must be employed by a local board of education and be a classroom teacher in a public school, must hold a standard professional certificate or an advanced professional certificate, and must have completed one or more graduate-level courses with a grade of B or better. The courses taken must be required to maintain certification and the cost of the courses must exceed any amount reimbursed by the county. The credit is 100% of the unreimbursed amount of tuition paid, or \$1,500, whichever is less. A credit of up to \$1,500 is allowed for each individual. On a joint return, up to \$3,000 is allowed if each spouse qualifies for the credit.

State Revenues: The bill's provisions would decrease tax revenues by approximately \$1.0 million in tax year 2004, resulting in a general fund revenue decrease of \$1.0 million in fiscal 2005. Future year losses reflect a stable number of eligible private school teachers. This estimate is based on the following facts and assumptions:

- based on data from the U.S. Department of Education, there were 12,025 nonpublic school teachers in 2003 and the number is estimated to remain constant from 2003 to 2008; and
- an estimated 11.2% of all public school teachers claimed the quality teacher incentive credit in tax year 2002 for a total of approximately \$5.2 million. It is assumed that a similar percentage of nonpublic school teachers would claim the credit if expanded to include them.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland State Department of Education, U.S. Department of Education, Department of Legislative Services

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