

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 256 (Delegate Conroy, *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 certified nonpublic school teachers. The amount of the proposed credit for nonpublic school teachers is up to \$1,500 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, 2005 and applies to tax year 2005 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$1.1 million in FY 2006. Out-year revenue losses reflect a constant number of qualifying nonpublic school teachers and 4% annual increase in amount of credit claimed. Expenditures would not be affected.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$1.1)	(\$1.1)	(\$1.2)	(\$1.2)	(\$1.3)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$1.1)	(\$1.1)	(\$1.2)	(\$1.2)	(\$1.3)

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 either a standard professional or advanced professional 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 the 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.

Background: The Quality Teacher Incentive Act of 1999, Chapter 600, established the quality teacher incentive tax credit. **Exhibit 1** lists the amount of credits that have been claimed under the legislation from 2000 through 2003.

Exhibit 1 Quality Teacher Incentive Tax Credits Tax Years 2000 through 2003

<u>Year</u>	<u>Claimants</u>	<u>Total</u>	<u>Average</u>	<u>% of Total Certified Teachers Claiming Credit Each Year</u>
2000	3,977	\$3,447,338	\$867	11.9%
2001	4,963	4,043,128	815	10.2%
2002	6,218	5,219,852	839	12.4%
2003	6,890	5,968,262	866	12.9%

The Act also contained several other measures designed to increase the number of public school teachers who have a standard or advanced professional certification. Nonpublic schools are not subject to the provisions of the Act.

State Revenues: The bill's provisions would decrease State tax revenues by approximately \$1.1 million in tax year 2005, resulting in a general fund revenue decrease of \$1.1 million in fiscal 2006. Future year losses reflect a stable number of eligible nonpublic school teachers. This estimate is based on the following facts and assumptions:

- According to the National Center for Education Statistics, there were 13,745 nonpublic school teachers in Maryland in the 2001-2002 school year. The number of teachers is estimated to remain constant.
- The Maryland State Department of Education (MSDE) estimates that 65% of teachers in the Archdiocese of Baltimore are certified. MSDE advised that it could not reliably estimate the percent of all nonpublic teachers that are certified. It is assumed that teachers in other nonpublic schools in the State have the same rate of certification.
- An estimated 13% of certified public school teachers claimed the existing credit in tax year 2003.
- The average credit claimed per teacher is estimated at \$937 in tax year 2005, with the amount in future years increasing by 4% annually.

Additional Information

Prior Introductions: A similar bill was introduced at the 2004 session as HB 1275. No action was taken on the bill by the House Ways and Means Committee. HB 1275 provided a \$750 maximum tax credit for nonpublic school teachers instead of a \$1,500 tax credit as provided in HB 256.

Cross File: SB 323 (Senator McFadden, *et al.*) – Budget and Taxation.

Information Source(s): Comptroller's Office, Maryland State Department of Education, National Center for Education Statistics, Department of Legislative Services

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