

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 869 (Delegate Cardin)
 Ways and Means

Income Tax Credit - Teachers in Nonpublic Schools Approved by MSDE for Students in Nonpublic Placements

This bill expands the existing quality teacher incentive tax credit to nonpublic certified teachers who provide services to disabled students under the State’s nonpublic placement program. The amount of the proposed credit for qualifying 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 school teacher must be employed by a nonpublic school that is approved by the Maryland State Department of Education (MSDE).

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 \$195,000 in FY 2006. Out-year revenue losses reflect a slight increase in the number of qualifying nonpublic school teachers. Expenditures would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$195,000)	(\$199,500)	(\$204,000)	(\$208,500)	(\$213,800)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$195,000)	(\$199,500)	(\$204,000)	(\$208,500)	(\$213,800)

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: Most students with special education needs receive educational services in public schools. Students with severe disabilities requiring specialized services not available in public schools are placed in nonpublic day or residential facilities through the State's nonpublic placement program. Approximately 4,560 students were approved for nonpublic special education services in fiscal 2004, accounting for 4% of special education students. These services were provided at 91 nonpublic schools or educational facilities. This amount does not include students approved by the Office of Children, Youth, and Families for out-of-state residential placements or public/private partnerships. 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 Credit Tax Years 2000 through 2003

<u>Year</u>	<u>Claimants</u>	<u>Total</u>	<u>Average</u>	<u>% of Total Certified Teachers Claiming Credit in 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 \$195,000 in tax year 2005, resulting in a general fund revenue decrease of \$195,000 in fiscal 2006. Future year losses reflect a slight increase in the number of eligible nonpublic school teachers. This estimate is based on the following facts and assumptions:

- According to MSDE, approximately 2,000 nonpublic school teachers are certified under the State's nonpublic placement program.
- An estimated 13% of certified public school teachers claimed the existing credit in tax year 2003.
- The number of eligible teachers increases by approximately 2% annually, based on the average growth in nonpublic school placements.
- Based on the average amount claimed by public school teachers, it is assumed that eligible teachers claim the maximum amount of credit in each year.

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 to eligible nonpublic school teachers.

Cross File: SB 691 (Senator Hollinger) – Budget and Taxation.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2005
ncs/hlb

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510