

HOUSE BILL 186

Q3, F1

8lr0852

By: **Delegates Bates, Aumann, Frank, George, Impallaria, Kipke, McComas,
Miller, Sossi, and Stocksdale**

Introduced and read first time: January 21, 2008

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Great Schools Tax Credit Program**

3 FOR the purpose of allowing an individual or a corporation a credit against the State
4 income tax for certain contributions to certain scholarship-granting
5 organizations, subject to certain limitations; providing for the carryover of
6 certain unused credit under certain circumstances; requiring certain
7 scholarship-granting organizations to take certain actions to be eligible for
8 certain donations for which a tax credit may be claimed; requiring the
9 Comptroller to administer the Great Schools Tax Credit Program; requiring the
10 Comptroller to adopt certain regulations; requiring the Comptroller to submit
11 certain reports; defining certain terms; providing for the application of this Act;
12 and generally relating to the Great Schools Tax Credit Program.

13 BY adding to

14 Article – Tax – General

15 Section 10-726

16 Annotated Code of Maryland

17 (2004 Replacement Volume and 2007 Supplement)

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

20 **Article – Tax – General**

21 **10-726.**

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2) **“EDUCATIONAL SCHOLARSHIP” MEANS A GRANT TO AN**
2 **ELIGIBLE STUDENT TO COVER ALL OR PART OF THE TUITION AND FEES AT A**
3 **QUALIFYING SCHOOL.**

4 (3) **“ELIGIBLE STUDENT” MEANS A STUDENT WHO:**

5 (I) 1. **WAS ELIGIBLE TO ATTEND A PUBLIC SCHOOL IN**
6 **THE STATE IN A PRECEDING SEMESTER; OR**

7 2. **IS STARTING SCHOOL IN THE STATE FOR THE**
8 **FIRST TIME; AND**

9 (II) **MEETS THE REQUIREMENTS OF SUBSECTION (C) OF**
10 **THIS SECTION.**

11 (4) **“LOW-INCOME ELIGIBLE STUDENT” MEANS AN ELIGIBLE**
12 **STUDENT WHO QUALIFIES FOR FREE OR REDUCED PRICE LUNCH UNDER THE**
13 **NATIONAL FREE OR REDUCED PRICE LUNCH PROGRAM ESTABLISHED UNDER**
14 **42 U.S.C. § 1751.**

15 (5) **“PARENT” INCLUDES A GUARDIAN, CUSTODIAN, AND OTHER**
16 **PERSON WITH AUTHORITY TO ACT ON BEHALF OF THE STUDENT.**

17 (6) **“PROGRAM” MEANS THE GREAT SCHOOLS TAX CREDIT**
18 **PROGRAM ESTABLISHED UNDER THIS SECTION.**

19 (7) **“QUALIFYING SCHOOL” MEANS A SCHOOL THAT:**

20 (I) 1. **IS A PUBLIC ELEMENTARY OR SECONDARY**
21 **SCHOOL OUTSIDE THE DISTRICT IN WHICH A STUDENT RESIDES; OR**

22 2. **IS A NONPUBLIC ELEMENTARY OR SECONDARY**
23 **SCHOOL IN THE STATE; AND**

24 (II) **MEETS THE REQUIREMENTS OF SUBSECTION (D) OF**
25 **THIS SECTION.**

26 (8) **“SCHOLARSHIP-GRANTING ORGANIZATION” MEANS AN**
27 **ORGANIZATION THAT AWARDS EDUCATIONAL SCHOLARSHIPS TO ELIGIBLE**
28 **STUDENTS ATTENDING A QUALIFYING SCHOOL.**

29 (B) (1) **AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT**
30 **AGAINST THE STATE INCOME TAX AS PROVIDED UNDER THIS SECTION FOR**
31 **CONTRIBUTIONS TO A SCHOLARSHIP-GRANTING ORGANIZATION.**

1 **(2) (I) THE TOTAL TAX CREDIT ALLOWED UNDER THIS**
2 **SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED 50% OF THE STATE INCOME**
3 **TAX FOR THAT YEAR, DETERMINED BEFORE THE APPLICATION OF THE CREDITS**
4 **UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT**
5 **AFTER THE APPLICATION OF ANY OTHER CREDITS UNDER THIS SUBTITLE.**

6 **(II) IF THE CREDIT ALLOWED UNDER THIS SECTION**
7 **EXCEEDS 50% OF THE STATE INCOME TAX, ANY UNUSED CREDIT MAY BE**
8 **CARRIED FORWARD AND APPLIED FOR SUCCEEDING TAXABLE YEARS UNTIL THE**
9 **EARLIER OF:**

10 **1. THE FULL AMOUNT OF THE EXCESS IS USED; OR**

11 **2. THE EXPIRATION OF THE THIRD TAXABLE YEAR**
12 **AFTER THE TAXABLE YEAR IN WHICH THE CONTRIBUTION WAS MADE.**

13 **(C) (1) TO QUALIFY AS AN ELIGIBLE STUDENT FOR PURPOSES OF THE**
14 **PROGRAM, A STUDENT SHALL MEET THE REQUIREMENTS OF THIS SUBSECTION.**

15 **(2) THE STUDENT'S HOUSEHOLD INCOME FOR THE PRECEDING**
16 **TAXABLE YEAR MAY NOT EXCEED AN AMOUNT EQUAL TO 2.5 TIMES THE INCOME**
17 **STANDARD USED TO QUALIFY FOR A REDUCED PRICE LUNCH UNDER THE**
18 **NATIONAL FREE OR REDUCED PRICE LUNCH PROGRAM ESTABLISHED UNDER**
19 **42 U.S.C. § 1751.**

20 **(3) THE STUDENT MUST BE ENROLLED FULL TIME IN A**
21 **QUALIFYING SCHOOL.**

22 **(4) THE STUDENT MUST BE A RESIDENT OF THE STATE WHO HAS**
23 **NOT GRADUATED FROM HIGH SCHOOL OR REACHED THE AGE OF 21.**

24 **(D) A QUALIFYING SCHOOL SHALL:**

25 **(1) COMPLY WITH ALL HEALTH AND SAFETY LAWS OR CODES**
26 **THAT APPLY TO NONPUBLIC SCHOOLS;**

27 **(2) HOLD A VALID OCCUPANCY PERMIT IF REQUIRED BY THE**
28 **COUNTY OR MUNICIPAL CORPORATION WHERE THE SCHOOL IS LOCATED;**

29 **(3) CERTIFY THAT IT WILL NOT DISCRIMINATE IN ADMISSIONS ON**
30 **THE BASIS OF RACE, COLOR, NATIONAL ORIGIN, RELIGION, OR DISABILITY; AND**

1 **(4) PROVIDE ACADEMIC ACCOUNTABILITY TO PARENTS OF THE**
2 **STUDENTS BY REGULARLY REPORTING ON THE STUDENT'S PROGRESS.**

3 **(E) (1) A SCHOLARSHIP-GRANTING ORGANIZATION SHALL:**

4 **(I) NOTIFY THE COMPTROLLER OF ITS INTENT TO AWARD**
5 **EDUCATIONAL SCHOLARSHIPS;**

6 **(II) DEMONSTRATE TO THE COMPTROLLER THAT IT HAS**
7 **BEEN GRANTED EXEMPTION FROM THE FEDERAL INCOME TAX AS AN**
8 **ORGANIZATION DESCRIBED IN § 501(C)(3) OF THE INTERNAL REVENUE CODE;**

9 **(III) MAIL PERIODIC SCHOLARSHIP PAYMENTS TO A**
10 **QUALIFYING SCHOOL AS CHECKS MADE OUT TO AN ELIGIBLE STUDENT'S**
11 **PARENT;**

12 **(IV) PROVIDE AN APPROVED RECEIPT TO THE**
13 **COMPTROLLER FOR CONTRIBUTIONS MADE TO THE ORGANIZATION;**

14 **(V) SPEND 90% OF THE REVENUE FROM DONATIONS ON**
15 **EDUCATIONAL SCHOLARSHIP AWARDS;**

16 **(VI) SPEND EACH YEAR A PORTION OF ITS EXPENDITURES**
17 **ON SCHOLARSHIPS FOR LOW-INCOME ELIGIBLE STUDENTS EQUAL TO THE**
18 **PERCENTAGE OF LOW-INCOME ELIGIBLE STUDENTS IN THE COUNTY WHERE**
19 **THE SCHOLARSHIP-GRANTING ORGANIZATION EXPENDS THE MAJORITY OF ITS**
20 **SCHOLARSHIPS;**

21 **(VII) VERIFY ANNUALLY THAT NO STUDENT RECEIVING A**
22 **SCHOLARSHIP RESIDES IN A HOUSEHOLD WHOSE INCOME IN THE PRECEDING**
23 **TAXABLE YEAR EXCEEDS AN AMOUNT EQUAL TO 2.5 TIMES THE INCOME**
24 **STANDARD USED TO QUALIFY FOR A REDUCED PRICE LUNCH UNDER THE**
25 **NATIONAL FREE OR REDUCED PRICE LUNCH PROGRAM ESTABLISHED UNDER**
26 **42 U.S.C. § 1751;**

27 **(VIII) ENSURE THAT EDUCATIONAL SCHOLARSHIPS ARE**
28 **PORTABLE DURING THE SCHOOL YEAR AND CAN BE USED AT ANY QUALIFIED**
29 **SCHOOL; AND**

30 **(IX) DEMONSTRATE ITS FINANCIAL ACCOUNTABILITY AS**
31 **REQUIRED BY THE COMPTROLLER.**

32 **(2) A SCHOLARSHIP-GRANTING ORGANIZATION MAY NOT:**

1 (I) EMPLOY A PERSON THAT POSES A REASONABLE RISK TO
2 THE APPROPRIATE USE OF ANY CONTRIBUTIONS; OR

3 (II) AWARD AN EDUCATIONAL SCHOLARSHIP TO A FAMILY
4 MEMBER OF THE ORGANIZATION’S BOARD OF DIRECTORS OR ITS PAID STAFF.

5 (F) (1) THE COMPTROLLER SHALL ADOPT REGULATIONS NECESSARY
6 TO CARRY OUT THE PROVISIONS OF THIS SECTION.

7 (2) ON OR BEFORE OCTOBER 1 OF EACH YEAR, THE
8 COMPTROLLER SHALL SUBMIT TO THE GOVERNOR AND, SUBJECT TO § 2-1246
9 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY, A
10 WRITTEN REPORT REGARDING:

11 (I) THE AMOUNT OF THE CREDITS;

12 (II) THE NUMBER OF SCHOOLS ACCEPTING ELIGIBLE
13 STUDENTS;

14 (III) THE NUMBER OF SCHOLARSHIP-GRANTING
15 ORGANIZATIONS;

16 (IV) THE NUMBER AND AMOUNT OF CONTRIBUTIONS TO A
17 SCHOLARSHIP-GRANTING ORGANIZATION; AND

18 (V) THE NUMBER AND AMOUNT OF EDUCATIONAL
19 SCHOLARSHIPS AWARDED.

20 (3) THE COMPTROLLER MAY BAR A SCHOLARSHIP-GRANTING
21 ORGANIZATION FROM PARTICIPATING IN THE PROGRAM IF THE COMPTROLLER
22 ESTABLISHES THAT THE ORGANIZATION HAS FAILED TO COMPLY WITH THE
23 REQUIREMENTS OF THE PROGRAM.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 July 1, 2008, and shall be applicable to all taxable years beginning after December 31,
26 2007.