

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

Senate Bill 388 (Senators McFadden and Miller)
 Budget and Taxation

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 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 tax credit, the nonpublic school 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, 2008 and applies to tax year 2008 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by \$1.7 million in FY 2009. Future year losses reflect the estimated number of qualifying nonpublic school teachers and 3% annual increases in the amount of the credit claimed. Expenditures would not be affected.

(\$ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$1.7)	(\$1.7)	(\$1.8)	(\$1.9)	(\$1.9)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$1.7)	(\$1.7)	(\$1.8)	(\$1.9)	(\$1.9)

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

Local Effect: None. Additional credits 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, hold a standard professional certificate or an advanced professional certificate, and 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 established the quality teacher incentive tax credit. **Exhibit 1** lists the amount of credits that were claimed in tax years 2003 through 2006.

Exhibit 1 Quality Teacher Incentive Tax Credits Tax Years 2003-2006

<u>Year</u>	<u>Claimants</u>	<u>Total</u>	<u>Average</u>	<u>% of Total Certified Teachers Claiming Credit Each Year</u>
2003	6,890	\$5,968,300	\$866	19.7%
2004	7,249	6,482,600	894	20.2%
2005	7,898	7,092,400	898	22.7%
2006	6,948	6,631,700	954	20.5%

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 would expand the existing tax credit effective tax year 2008. As a result, general fund revenues would decrease by \$1.7 million in fiscal 2009. This estimate is based on the following facts and assumptions:

- Based on data from the National Center for Education Statistics and Maryland State Department of Education (MSDE), there were 13,100 nonpublic school

teachers in Maryland in the 2005-2006 school year. The number of teachers is estimated to remain constant.

- MSDE estimates that 65% of teachers in the Archdiocese of Baltimore are certified. MSDE advised that it could not reliably estimate the percentage of all nonpublic teachers who are certified. It is assumed that teachers in other nonpublic schools in the State have the same rate of certification.
- An estimated 21% of certified public school teachers claimed the existing credit in tax year 2003 through 2006.
- The average credit claimed per teacher is estimated at \$952 in tax year 2008, with the amount in future years increasing by 3% annually.

Additional Information

Prior Introductions: SB 666 of 2007 and SB 740 of 2006, identical bills, were not reported from the Senate Budget and Taxation Committee. Similar bills were introduced in the 2005 and 2004 sessions as SB 323/HB 256 of 2005 and HB 1275 of 2004. SB 323 received a favorable with amendments report from Budget and Taxation but did not pass the Senate. HB 256 and HB 1275 were not reported from the House Ways and Means Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 25, 2008
mcp/hlb

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