

SENATE BILL 363

F5, Q3
HB 603/09 – W&M

5lr1606

By: **Senators Bates, Eckardt, Edwards, Hershey, Hough, Jennings, Montgomery,
Nathan–Pulliam, Ready, Salling, Serafini, and Waugh**

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Great Preschools 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 organizations,
5 subject to certain limitations; providing for the carryover of certain unused credit
6 under certain circumstances; requiring certain scholarship–granting organizations
7 to take certain actions to be eligible for certain donations for which a tax credit may
8 be claimed; requiring the Comptroller to administer the Great Preschools Tax Credit
9 Program; requiring the Comptroller to adopt certain regulations; requiring the
10 Comptroller to submit certain reports; defining certain terms; providing for the
11 application of this Act; and generally relating to the Great Preschools Tax Credit
12 Program.

13 BY adding to

14 Article – Tax – General

15 Section 10–737

16 Annotated Code of Maryland

17 (2010 Replacement Volume and 2014 Supplement)

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

20 **Article – Tax – General**

21 **10–737.**

22 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
23 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 ELIGIBLE**
2 **STUDENT TO COVER ALL OR PART OF THE TUITION AND FEES AT A QUALIFYING**
3 **SCHOOL.**

4 **(3) “ELIGIBLE STUDENT” MEANS A STUDENT WHO MEETS THE**
5 **REQUIREMENTS OF SUBSECTION (C) OF THIS SECTION.**

6 **(4) “PARENT” INCLUDES A GUARDIAN, A CUSTODIAN, AND ANY OTHER**
7 **PERSON WITH AUTHORITY TO ACT ON BEHALF OF THE STUDENT.**

8 **(5) “PROGRAM” MEANS THE GREAT PRESCHOOLS TAX CREDIT**
9 **PROGRAM ESTABLISHED UNDER THIS SECTION.**

10 **(6) “QUALIFYING SCHOOL” MEANS A STATE OR NATIONALLY**
11 **ACCREDITED CHILD CARE CENTER OR NONPUBLIC SCHOOL APPROVED BY THE**
12 **MARYLAND STATE DEPARTMENT OF EDUCATION TO PROVIDE PREKINDERGARTEN**
13 **PROGRAM SERVICES.**

14 **(7) “SCHOLARSHIP-GRANTING ORGANIZATION” MEANS AN**
15 **ORGANIZATION THAT AWARDS EDUCATIONAL SCHOLARSHIPS TO ELIGIBLE**
16 **STUDENTS ATTENDING A QUALIFYING SCHOOL.**

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

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

25 **(II) IF THE CREDIT ALLOWED UNDER THIS SECTION EXCEEDS**
26 **50% OF THE STATE INCOME TAX, ANY UNUSED CREDIT MAY BE CARRIED FORWARD**
27 **AND APPLIED FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:**

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

29 **2. THE EXPIRATION OF THE THIRD TAXABLE YEAR**
30 **AFTER THE TAXABLE YEAR IN WHICH THE CONTRIBUTION WAS MADE.**

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

1 **(2) THE STUDENT'S HOUSEHOLD INCOME FOR THE PRECEDING**
2 **TAXABLE YEAR MAY NOT EXCEED AN AMOUNT EQUAL TO 2.5 TIMES THE INCOME**
3 **STANDARD USED TO QUALIFY FOR A REDUCED PRICE LUNCH UNDER THE NATIONAL**
4 **FREE OR REDUCED PRICE LUNCH PROGRAM ESTABLISHED UNDER 42 U.S.C. §**
5 **1751.**

6 **(3) THE STUDENT MUST BE ENROLLED IN A QUALIFYING SCHOOL.**

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

8 **(1) COMPLY WITH ALL HEALTH AND SAFETY LAWS OR CODES THAT**
9 **APPLY TO NONPUBLIC PRESCHOOLS;**

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

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

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

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

17 **(I) NOTIFY THE COMPTROLLER OF ITS INTENT TO AWARD**
18 **EDUCATIONAL SCHOLARSHIPS;**

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

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

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

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

28 **(VI) SPEND EACH YEAR A PORTION OF ITS EXPENDITURES ON**
29 **SCHOLARSHIPS FOR ELIGIBLE STUDENTS EQUAL TO THE PERCENTAGE OF ELIGIBLE**

1 STUDENTS IN THE COUNTY WHERE THE SCHOLARSHIP-GRANTING ORGANIZATION
2 EXPENDS THE MAJORITY OF ITS SCHOLARSHIPS;

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

8 (VIII) ENSURE THAT EDUCATIONAL SCHOLARSHIPS ARE
9 PORTABLE DURING THE SCHOOL YEAR AND CAN BE USED AT ANY QUALIFIED
10 SCHOOL; AND

11 (IX) DEMONSTRATE ITS FINANCIAL ACCOUNTABILITY AS
12 REQUIRED BY THE COMPTROLLER.

13 (2) A SCHOLARSHIP-GRANTING ORGANIZATION MAY NOT:

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

16 (II) AWARD AN EDUCATIONAL SCHOLARSHIP TO A FAMILY
17 MEMBER OF THE ORGANIZATION'S BOARD OF DIRECTORS OR ITS PAID STAFF.

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

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

24 (I) THE NUMBER AND AMOUNT OF CREDITS GRANTED;

25 (II) THE NUMBER OF SCHOOLS ACCEPTING ELIGIBLE
26 STUDENTS;

27 (III) THE NUMBER OF SCHOLARSHIP-GRANTING
28 ORGANIZATIONS;

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

1 **(V) THE NUMBER AND AMOUNT OF EDUCATIONAL**
2 **SCHOLARSHIPS AWARDED.**

3 **(3) THE COMPTROLLER MAY BAR A SCHOLARSHIP-GRANTING**
4 **ORGANIZATION FROM PARTICIPATING IN THE PROGRAM IF THE COMPTROLLER**
5 **ESTABLISHES THAT THE ORGANIZATION HAS FAILED TO COMPLY WITH ANY**
6 **REQUIREMENT OF THE PROGRAM.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
8 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.