

## Chapter 382

**(House Bill 593)**

AN ACT concerning

**Income Tax – Student Loan Tax Credit**

FOR the purpose of expanding the student loan tax credit that allows certain individuals with certain student loan debt amounts to claim a credit against the State income tax to include graduate student loan debt; altering a certain definition; providing for the application of this Act; and generally relating to a student loan tax credit.

BY repealing and reenacting, with amendments,  
 Article – Tax – General  
 Section 10–740  
 Annotated Code of Maryland  
 (2016 Replacement Volume and 2017 Supplement)

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

**Article – Tax – General**

10–740.

(a) (1) In this section the following words have the meanings indicated.

(2) “Commission” means the Maryland Higher Education Commission.

(3) “Qualified taxpayer” means an individual who has:

(i) incurred at least \$20,000 in undergraduate **OR GRADUATE** student loan debt **OR BOTH**; and

(ii) has at least \$5,000 in outstanding undergraduate **OR GRADUATE** student loan debt **OR BOTH** when submitting an application under subsection (c) of this section.

(b) Subject to the limitations of this section, a qualified taxpayer may claim a credit against the State income tax for the taxable year in which the Commission certifies a tax credit under this section.

(c) (1) (i) By September 15 of each year, an individual shall submit an application to the Commission for the credit allowed under this section.

(ii) The individual shall submit with the application an assurance that the individual will use any credit approved under this section for the repayment of the individual's undergraduate **OR GRADUATE** student loan debt **OR BOTH** as soon as practicable.

(iii) 1. The total amount of the credit claimed under this section shall be recaptured if the individual does not use the credit approved under this section for the repayment of the individual's undergraduate **OR GRADUATE** student loan debt **OR BOTH** within 2 years from the close of the taxable year for which the credit is claimed.

2. The individual who claimed the credit shall pay the total amount of the credit claimed as taxes payable to the State for the taxable year in which the event requiring recapture of the credit occurs.

(2) By December 15 of each year the Commission shall certify to the individual the amount of any tax credit approved by the Commission under this section, not to exceed \$5,000.

(3) For any taxable year, the total amount of credits approved by the Commission under this section may not exceed \$5,000,000.

(4) To claim the tax credit allowed under this section, an individual shall attach a copy of the Commission's certification of the approved credit amount to the income tax return.

(d) The Commission shall prioritize tax credit recipients and amounts based on qualified taxpayers who:

- (1) have higher debt burden to income ratios;
- (2) graduated from an institution of higher education located in the State;
- (3) did not receive a tax credit in a prior year; or
- (4) were eligible for in-State tuition.

(e) If the tax credit allowed under this section in any taxable year exceeds the total tax otherwise payable by the qualified taxpayer for that taxable year, the qualified taxpayer may claim a refund in the amount of the excess.

(f) The Commission shall establish and implement by September 1, 2016, an outreach and marketing plan to make eligible taxpayers aware of the availability of the tax credit provided under this section.

(g) The Commission shall adopt regulations to carry out the provisions of this section.

(h) The tax credit under this section shall be referred to as the Student Loan Debt Relief Tax Credit.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.

**Approved by the Governor, May 8, 2018.**