

HOUSE BILL 1081

F2, Q3

3lr0684

By: **Delegate Rosenberg**

Introduced and read first time: February 10, 2023

Assigned to: Appropriations and Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Higher Education – Student Loans – Notice Requirement and Tax Credit**

3 FOR the purpose of requiring a lender to provide a student who has applied for a private
4 student loan with certain information and a certain statement on receiving the
5 student's loan application and annually after closing; prohibiting a lender from
6 closing on a private student loan unless the lender has provided the student with a
7 certain notice; reducing the amount of incurred debt and outstanding debt that an
8 individual must have to qualify for the student loan debt relief tax credit; increasing
9 the maximum amount of the student loan debt relief tax credit an individual may
10 claim; increasing the maximum total amount in student loan debt relief tax credits
11 the Maryland Higher Education Commission may approve for any taxable year; and
12 generally relating to private student loans and the student loan debt relief tax credit.

13 BY adding to

14 Article – Education
15 Section 18–116
16 Annotated Code of Maryland
17 (2022 Replacement Volume)

18 BY repealing and reenacting, with amendments,

19 Article – Tax – General
20 Section 10–740
21 Annotated Code of Maryland
22 (2022 Replacement Volume)

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

25 **Article – Education**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 18-116.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
3 INDICATED.

4 (2) "LENDER" MEANS A PERSON THAT MAKES A PRIVATE STUDENT
5 LOAN.

6 (3) (I) "PRIVATE STUDENT LOAN" MEANS A LOAN ADMINISTERED
7 BY A LENDER THAT IS MADE TO ASSIST A STUDENT IN OBTAINING A POSTSECONDARY
8 EDUCATION.

9 (II) "PRIVATE STUDENT LOAN" DOES NOT INCLUDE:

10 1. A DIRECT LOAN ADMINISTERED BY THE U.S.
11 DEPARTMENT OF EDUCATION; OR

12 2. A PARENT PLUS LOAN.

13 (B) A LENDER SHALL PROVIDE TO A STUDENT WHO HAS APPLIED FOR A
14 PRIVATE STUDENT LOAN:

15 (1) THE TOTAL AMOUNT OF LOANS THE STUDENT HAS APPLIED FOR
16 WITH THE LENDER;

17 (2) THE MONTHLY PAYMENT AMOUNT FOR A 10-YEAR PERIOD FOR
18 EVERY \$1,000 OWED BY THE STUDENT UNDER THE TERMS OF THE LOAN;

19 (3) AN AMORTIZATION SCHEDULE FOR REPAYMENT OF THE LOAN;
20 AND

21 (4) A STATEMENT THAT THE ACTUAL REPAYMENT AMOUNT IS
22 DEPENDENT ON THE FOLLOWING FACTORS:

23 (I) THE TOTAL AMOUNT A STUDENT BORROWS;

24 (II) THE INTEREST RATE AT THE TIME THE FUNDS ARE
25 BORROWED AND THE AMOUNT OF INTEREST THAT ACCRUES OVER THE COURSE OF
26 THE LOAN;

27 (III) THE LENGTH OF THE REPAYMENT TERM OF THE LOAN; AND

1 (IV) THE DECISIONS A STUDENT MAKES RELATING TO
2 DEFERMENTS.

3 (C) A LENDER SHALL PROVIDE THE INFORMATION REQUIRED UNDER
4 SUBSECTION (B) OF THIS SECTION TO A STUDENT:

5 (1) ON RECEIVING THE STUDENT'S LOAN APPLICATION; AND

6 (2) ANNUALLY AFTER CLOSING ON A PRIVATE STUDENT LOAN.

7 (D) A LENDER MAY NOT CLOSE ON A PRIVATE STUDENT LOAN UNLESS THE
8 LENDER HAS PROVIDED TO THE STUDENT THE NOTICE REQUIRED UNDER THIS
9 SECTION.

10 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
11 as follows:

12 **Article – Tax – General**

13 10–740.

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

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

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

17 (i) incurred at least [~~\$20,000~~] **\$10,000** in undergraduate or
18 graduate student loan debt or both; and

19 (ii) has at least [~~\$5,000~~] **\$2,500** in outstanding undergraduate or
20 graduate student loan debt or both when submitting an application under subsection (c) of
21 this section.

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

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

27 (ii) The individual shall submit with the application an assurance
28 that the individual will use any credit approved under this section for the repayment of the
29 individual's undergraduate or graduate student loan debt or both as soon as practicable.

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

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

8 (2) By December 15 of each year the Commission shall certify to the
9 individual the amount of any tax credit approved by the Commission under this section,
10 not to exceed [~~\$5,000~~] **\$10,000**.

11 (3) For any taxable year, the total amount of credits approved by the
12 Commission under this section may not exceed [~~\$9,000,000~~] **\$10,000,000**.

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

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

18 (1) have higher debt burden to income ratios;

19 (2) graduated from an institution of higher education located in the State;

20 (3) did not receive a tax credit in a prior year; or

21 (4) were eligible for in-State tuition.

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

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

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

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

32 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be
33 applicable to all taxable years beginning after December 31, 2022.

1 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July
2 1, 2023.