

MAINE STATE LEGISLATURE

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of 3
Date: 4/3/18

L.D. 1537
(Filing No. H-710)

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3 **TAXATION**

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5 **STATE OF MAINE**
6 **HOUSE OF REPRESENTATIVES**
7 **128TH LEGISLATURE**
8 **SECOND REGULAR SESSION**

9 COMMITTEE AMENDMENT "A" to H.P. 1057, L.D. 1537, Bill, "An Act To
10 Replace the Educational Opportunity Tax Credit with the Student Loan Repayment
11 Credit for Maine Residents"

12 Amend the bill in section 2 in subsection 8 in the 3rd line (page 1, line 12 in L.D.) by
13 striking out the following: "2017" and inserting the following: '2019'

14 Amend the bill in section 3 in subsection 9 in the 3rd line (page 1, line 18 in L.D.) by
15 striking out the following: "2017" and inserting the following: '2019'

16 Amend the bill by inserting after section 3 the following:

17 'Sec. 4. 36 MRSA §199-C, sub-§3, as amended by PL 2015, c. 328, §2, is further
18 amended to read:

19 **3. Specific tax expenditure review.** By June 1, 2021, the committee shall review
20 the income tax credit under ~~section~~ sections 5217-D and 5217-E to determine whether the
21 credit should be retained, repealed or modified. The committee shall consider information
22 provided by the Office of Tax Policy within the bureau and the Department of Education
23 pursuant to Title 20-A, section 12545.

24 **Sec. 5. 36 MRSA §2535**, as enacted by PL 2017, c. 211, Pt. C, §1, is amended to
25 read:

26 **§2535. Credit for educational opportunity**

27 A taxpayer is allowed a credit against the tax otherwise due under this chapter as
28 determined under section 5217-D or 5217-E.

29 **Sec. 6. 36 MRSA §5122, sub-§2, ¶FF**, as amended by PL 2013, c. 525, §14, is
30 further amended to read:

31 FF. To the extent included in federal adjusted gross income, student loan payments
32 made by the taxpayer's employer directly to a lender on behalf of a qualified
33 employee in accordance with section 5217-D or 5217-E, whether or not the employer

A. of S.

1 claims, or could claim, the credit provided by section 5217-D, subsection 5 or section
2 5217-E, subsection 4;

3 **Sec. 7. 36 MRSA §5122, sub-§2, ¶NN**, as amended by PL 2015, c. 388, Pt. A,
4 §7, is further amended to read:

5 NN. For taxable years beginning on or after January 1, 2015, an amount equal to the
6 net increase in the depreciation deduction allowable under the Code, Sections 167
7 and 168 that would have been applicable to that property had the depreciation
8 deduction under the Code, Section 168(k) not been claimed with respect to such
9 property placed in service during the taxable year beginning in 2014 for which an
10 addition was required under subsection 1, paragraph II, subparagraph (2) for the
11 taxable year beginning in 2014.

12 Upon the taxable disposition of property to which this paragraph applies, the amount
13 of any gain or loss includable in federal adjusted gross income must be adjusted for
14 Maine income tax purposes by an amount equal to the difference between the
15 addition modification for such property under subsection 1, paragraph II,
16 subparagraph (2) and the subtraction modifications allowed pursuant to this
17 paragraph.

18 The total amount of subtraction claimed under this paragraph for all tax years may
19 not exceed the addition modification under subsection 1, paragraph II, subparagraph
20 (2) for the same property; ~~and~~

21 **Sec. 8. 36 MRSA §5122, sub-§2, ¶OO**, as enacted by PL 2015, c. 388, Pt. A, §8,
22 is amended to read:

23 OO. For taxable years beginning on or after January 1, 2016, an amount equal to the
24 net increase in the depreciation deduction allowable under the Code, Sections 167
25 and 168 that would have been applicable to that property had the depreciation
26 deduction under the Code, Section 168(k) not been claimed with respect to such
27 property placed in service during the taxable year for which an addition was required
28 under subsection 1, paragraph KK, subparagraph (2) for the taxable year.

29 Upon the taxable disposition of property to which this paragraph applies, the amount
30 of any gain or loss includable in federal adjusted gross income must be adjusted for
31 Maine income tax purposes by an amount equal to the difference between the
32 addition modification for such property under subsection 1, paragraph KK,
33 subparagraph (2) and the subtraction modifications allowed pursuant to this
34 paragraph.

35 The total amount of subtraction claimed under this paragraph for all tax years may
36 not exceed the addition modification under subsection 1, paragraph KK,
37 subparagraph (2) for the same property; and

38 **Sec. 9. 36 MRSA §5122, sub-§2, ¶PP** is enacted to read:

39 PP. To the extent included in federal adjusted gross income, student loan payments
40 made directly to a lender on behalf of the taxpayer by a student loan repayment
41 program funded by a nonprofit foundation and administered by the Finance Authority
42 of Maine for residents of the State employed by a business located in the State.'

R. of S.

1 Amend the bill in section 4 in subsection 6 in the last line (page 1, line 23 in L.D.) by
2 striking out the following: "2017" and inserting the following: '2019'

3 Amend the bill in section 5 in §5217-E by striking out all of the first indented
4 paragraph (page 1, lines 26 to 28 in L.D.) and inserting the following:

5 'For tax years beginning on or after January 1, 2019, a qualified individual or the
6 employer of a qualified employee is allowed a credit for student loan repayments as
7 computed under this section against the taxes imposed under this Part.'

8 Amend the bill in section 5 in §5217-E in subsection 1 in paragraph H by striking out
9 all of subparagraph (3) (page 2, lines 31 to 39 in L.D.) and inserting the following:

10 '(3) Meets one of the following conditions:

11 (a) The individual worked during the taxable year:

12 (i) At least part time in this State for an employer or as a self-employed
13 individual; or

14 (ii) At least part time in a position on a vessel at sea;

15 (b) The individual was deployed for military service in the United States
16 Armed Forces, including the National Guard and the Reserves of the United
17 States Armed Forces. As used in this division, "deployed for military
18 service" has the same meaning as in Title 26, section 814, subsection 1,
19 paragraph A; or

20 (c) The individual was a spouse of an individual who meets the requirements
21 of either division (a) or division (b).'

22 Amend the bill in section 5 in §5217-E in subsection 3 by striking out all of
23 paragraph B (page 3, lines 34 to 36 in L.D.) and inserting the following:

24 'B. Fifteen percent of the outstanding eligible education loan debt determined on the
25 date the first education loan payment is made after the degree is earned.'

26 Amend the bill in section 5 in §5217-E by striking out all of subsection 4 (page 3,
27 lines 37 to 43 and page 4, lines 1 to 3 in L.D.) and inserting the following:

28 '4. Calculation of the credit; employers. Subject to subsection 2, the credit with
29 respect to a taxpayer constituting an employer making payments on eligible education
30 loans directly to a lender during the taxable year on behalf of a qualified employee is
31 equal to the lesser of:

32 A. The amount paid by the employer on behalf of the qualified employee on eligible
33 education loans during the taxable year during the term of employment; and

34 B. Twenty percent of the outstanding eligible education loan debt determined on the
35 date of the first education loan payment made after December 31, 2018.

36 If the qualified employee is employed on a part-time basis during the taxable year, the
37 credit with respect to that employee is limited to 50% of the credit otherwise determined
38 under this subsection.'

39 Amend the bill by inserting after section 5 the following:



128th MAINE LEGISLATURE

LD 1537

LR 726(02)

An Act To Replace the Educational Opportunity Tax Credit with the Student Loan Repayment Credit for Maine Residents

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-710)

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2017-18	FY 2018-19	Projections FY 2019-20	Projections FY 2020-21
Net Cost (Savings)				
General Fund	\$0	\$0	\$30,006,528	\$29,726,494
Appropriations/Allocations				
General Fund	\$0	\$0	\$176,528	\$181,494
Revenue				
General Fund	\$0	\$0	(\$29,830,000)	(\$29,545,000)
Other Special Revenue Funds	\$0	\$0	(\$1,570,000)	(\$1,555,000)

Fiscal Detail and Notes

This legislation replaces the educational opportunity tax credit with a student loan repayment credit for tax years beginning on or after January 1, 2019. It would result in a reduction in General Fund revenue of \$29,830,000 and a reduction in Local Government Fund revenue of \$1,570,000 in fiscal year 2019-20. The Department of Administrative and Financial Services will require a General Fund appropriation of \$176,528 in fiscal year 2019-20 for 2 Tax Examiner positions and related costs to analyze and process income tax returns.