

# MAINE STATE LEGISLATURE

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Date: 3/21/22

(Filing No. S-449)

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**TAXATION**

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**STATE OF MAINE  
SENATE  
130TH LEGISLATURE  
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 70, L.D. 798, "An Act To Improve the Educational Opportunity Tax Credit"

Amend the bill in section 1 in subsection 4 in the 3rd line (page 1, line 6 in L.D.) by striking out the following: "2022" and inserting the following: '2023'

Amend the bill by striking out all of section 2.

Amend the bill in section 3 in subsection 9 in the 3rd line (page 1, line 18 in L.D.) by striking out the following: "2022" and inserting the following: '2023'

Amend the bill in section 3 in subsection 9 in the last line (page 1, line 19 in L.D.) by striking out the following: "paragraph H" and inserting the following: 'paragraph F'

Amend the bill by striking out all of section 4 and inserting the following:

**'Sec. 4. 36 MRSA §199-C, sub-§3,** as amended by PL 2021, c. 181, Pt. A, §3, is further amended to read:

**3. Specific tax expenditure review.** By June 1, ~~2022~~ 2025, the committee shall review the income tax credit under ~~section~~ sections 5217-D and 5217-E to determine whether the credit should be retained, repealed or modified. The committee shall consider information provided by the Office of Tax Policy within the bureau and the Department of Education pursuant to Title 20-A, section 12545.'

Amend the bill by striking out all of sections 5 and 6.

Amend the bill in section 7 in the first line (page 1, line 39 in L.D.) by striking out the following: "¶UU" and inserting the following: '¶XX'

Amend the bill in section 7 in paragraph UU in the first line (page 1, line 40 in L.D.) by striking out the following: "UU" and inserting the following: 'XX'

Amend the bill in section 8 in subsection 6 in the last line (page 2, line 6 in L.D.) by striking out the following: "2022" and inserting the following: '2023'

Amend the bill by striking out all of section 9 and inserting the following:

**COMMITTEE AMENDMENT**

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'Sec. 9. 36 MRS §5217-E is enacted to read:

**§5217-E. Credit for student loan repayment**

For tax years beginning on or after January 1, 2023, a qualified individual is allowed a credit for education loan payments as computed under this section against the taxes imposed under this Part.

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Accredited Maine community college, college or university" has the same meaning as in Title 20-A, section 12541, subsection 1.

B. "Accredited non-Maine community college, college or university" means an institution located outside the State that is accredited by a regional accrediting association or by one of the specialized accrediting agencies recognized by the United States Secretary of Education.

C. "Education loan payment" means a loan payment paid during the taxable year for eligible education loans.

D. "Eligible education loan" means a loan obtained by a qualified individual for attendance by that qualified individual at an accredited Maine community college, college or university or accredited non-Maine community college, college or university to obtain an associate, bachelor's or graduate degree. "Eligible education loan" includes a refinanced loan or consolidated loan if the refinanced loan or consolidated loan remains separate from other debt, except for debt incurred in an educational program, but only in proportion to the portion of the education loan payment that is otherwise eligible under this section. "Eligible education loan" does not include a loan obtained from a person related to the qualified individual or from any person by reason of a loan under any qualified employer plan or under a contract referred to in the Code, Section 72(p)(5). For purposes of this paragraph, a person is considered related to the qualified individual if that person meets the criteria listed in the Code, Section 267(b) or Section 707(b)(1). As used in this paragraph, "qualified employer plan" has the same meaning as in the Code, Section 72(p)(4)(A).

E. "Part time," as that term refers to employment, means employment that on average during the taxable year consists of a workweek of at least 16 hours but less than 32 hours.

F. "Qualified individual" means an individual, including the spouse filing a joint return with the individual under section 5221, who is eligible for the credit provided in this section. An individual is eligible for the credit if the individual:

- (1) Attended and obtained an associate, bachelor's or graduate degree after 2007 from an accredited Maine community college, college or university or an accredited non-Maine community college, college or university;
- (2) Was a resident individual for the entire taxable year; and
- (3) Meets one of the following conditions:
  - (a) The individual worked during the taxable year:

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

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

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

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

G. "Resident individual" means an individual:

(1) Who is domiciled in this State; or

(2) Who is not domiciled in this State, but maintains a permanent place of abode in this State and spends in the aggregate more than 183 days of the taxable year in this State, unless the individual is a member of the United States Armed Forces.

2. Credit allowed. A qualified individual is allowed a refundable credit against the tax imposed by this Part in accordance with the provisions of this section. The credit is created to implement the Job Creation Through Educational Opportunity Program established under Title 20-A, chapter 428-C.

A. A taxpayer may claim a credit based on education loan payments actually made to a relevant lender or lenders under this section only with respect to education loan payment amounts paid by the taxpayer during that part of the taxable year that the qualified individual worked in this State. Forbearance or deferment of education loan payments does not affect eligibility for the credit under this section. An individual who worked in this State for any part of a month of the taxable year is considered to have worked in this State for the entire month.

3. Calculation of the credit; qualified individuals. Subject to subsection 2, the credit with respect to a qualified individual is equal to the amount paid on eligible education loans during the taxable year up to \$2,500. A taxpayer entitled to a credit for any taxable year may carry over and apply to tax liability for any one or more of the next succeeding 5 years the portion, as reduced from year to year, of any unused credits.'

Amend the bill by striking out all of section 10 and inserting the following:

**'Sec. 10. Application.** That section of this Act that enacts the Maine Revised Statutes, Title 36, section 5122, subsection 2, paragraph XX applies to tax years beginning on or after January 1, 2023.'

Amend the bill by striking out all of section 11 and inserting the following:

**'Sec. 11. Appropriations and allocations.** The following appropriations and allocations are made.

**FINANCE AUTHORITY OF MAINE**

**Educational Opportunity Tax Credit Marketing Fund Z174**

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COMMITTEE AMENDMENT "A" to S.P. 70, L.D. 798 (S-449)

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Initiative: Provides funds to market the Job Creation Through Educational Opportunity Program throughout the State.

<b>GENERAL FUND</b>	<b>2021-22</b>	<b>2022-23</b>
All Other	\$0	\$75,000
<b>GENERAL FUND TOTAL</b>	<b>\$0</b>	<b>\$75,000</b>

Amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

**SUMMARY**

This amendment changes dates in the bill to reflect a later enactment date due to carry-over of the bill to the Second Regular Session. The amendment simplifies the income tax credit proposed in the bill and provides that the credit applies only to qualified individuals and not employers. The new credit provides a refundable credit of up to \$2,500 to qualified individuals. The credit applies to a qualified individual who received an associate, bachelor's or graduate degree after 2007 as long as the individual is employed in Maine and is a Maine resident.

**FISCAL NOTE REQUIRED**

(See attached)

**COMMITTEE AMENDMENT**



# 130th MAINE LEGISLATURE

LD 798

LR 334(02)

## An Act To Improve the Educational Opportunity Tax Credit

Fiscal Note for Bill as Amended by Committee Amendment "A" (S-449)

Committee: Taxation

Fiscal Note Required: Yes

### Fiscal Note

	FY 2021-22	FY 2022-23	Projections FY 2023-24	Projections FY 2024-25
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$75,000	\$46,136,786	\$48,188,145
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$75,000	\$242,286	\$241,645
<b>Revenue</b>				
General Fund	\$0	\$0	(\$45,894,500)	(\$47,946,500)
Other Special Revenue Funds	\$0	\$0	(\$2,415,500)	(\$2,523,500)

#### Fiscal Detail and Notes

This bill includes ongoing General Fund appropriations of \$75,000 per year beginning in fiscal year 2022-23 to the Educational Opportunity Tax Credit program within the Finance Authority of Maine to market the program throughout the State.

The bill creates a new income tax credit for student loan repayment beginning on or after January 1, 2023 and will result in a reduction in General Fund revenue of \$45,894,500 in fiscal year 2023-24 and \$47,946,500 in fiscal year 2024-25. It will also result in a reduction in Local Government Fund revenue of \$2,415,500 in fiscal year 2023-24 and \$2,523,500 in fiscal year 2024-25.

The Department of Administrative and Financial Services will require future General Fund appropriations of \$167,286 beginning in fiscal year 2023-24 for 2 Tax Examiner positions and related costs to perform desk audits and provide taxpayer assistance.