

MAINE STATE LEGISLATURE

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130th MAINE LEGISLATURE

FIRST SPECIAL SESSION-2021

Legislative Document

No. 1458

H.P. 1074

House of Representatives, April 12, 2021

**An Act To Expand Incentives To Live and Work in Maine through
a Partial Tax Credit for Certain Student Loans**

Received by the Clerk of the House on April 8, 2021. Referred to the Committee on
Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative BABBIDGE of Kennebunk.
Cosponsored by Representatives: ARFORD of Brunswick, BELL of Yarmouth, CROCKETT
of Portland, CUDDY of Winterport, DODGE of Belfast, KESSLER of South Portland, O'NEIL
of Saco, WHITE of Waterville.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 36 MRSA §5217-E** is enacted to read:

3 **§5217-E. Student loan credit**

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

6 A. "Eligible individual" means a resident individual who has received an associate
7 degree, a bachelor's degree or a graduate degree from an eligible institution of higher
8 education and, for the first tax year for which the credit is claimed, was employed at a
9 location in the State for at least 4 months during that first tax year.

10 B. "Eligible institution of higher education" means an accredited Maine community
11 college, college or university as defined in section 5217-D, subsection 1, paragraph
12 A-2 or an accredited non-Maine community college, college or university as defined
13 in section 5217-D, subsection 1, paragraph A-1 that participates in the Federal Pell
14 Grant program under 20 United States Code, Section 1070a.

15 C. "Qualified education loan" has the same meaning as under Section 221 of the Code,
16 but is limited to indebtedness incurred on behalf of the eligible individual.

17 **2. Credit allowed.** Beginning with tax years beginning on or after January 1, 2022,
18 an eligible individual is allowed a credit for loan payments made by the individual during
19 the tax year on qualified education loans that were obtained for attendance at an eligible
20 institution of higher education. The credit is equal to the lesser of 50% of the amount paid
21 by the eligible individual to repay the principal and interest on qualified education loans
22 during the tax year and:

23 A. For the first year that the eligible individual was employed at a location in the State
24 for at least 4 months, 50% of the eligible individual's tax liability under this Part, after
25 the application of all other credits, multiplied by a fraction the numerator of which is
26 the number of full months that the individual was employed at a location in the State
27 during the tax year and the denominator of which is 12;

28 B. For the year following the first year that the credit is claimed, if the individual was
29 employed at a location in the State for 12 months of that year, 40% of the eligible
30 individual's tax liability under this Part, after the application of all other credits;

31 C. For the 2nd year following the first year that the credit is claimed, if the individual
32 was employed at a location in the State for 12 months of that year, 30% of the eligible
33 individual's tax liability under this Part, after the application of all other credits;

34 D. For the 3rd year following the first year that the credit is claimed, if the individual
35 was employed at a location in the State for 12 months of that year, 20% of the eligible
36 individual's tax liability under this Part, after the application of all other credits; or

37 E. For the 4th year following the first year that the credit is claimed, if the individual
38 was employed at a location in the State for 12 months of that year, 10% of the eligible
39 individual's tax liability under this Part, after the application of all other credits.

40 **3. Limitations.** The credit under this section is subject to the following limitations:

41 A. A credit may not exceed \$1,000 per eligible individual for a tax year;

1 B. A credit may not exceed 50% of the eligible individual's outstanding student loan
2 debt; and

3 C. The credit may not be claimed by an eligible individual who claims the credit under
4 section 5217-D.

5 **SUMMARY**

6 This bill provides an income tax credit of up to \$1,000 for individuals for certain
7 student loan payments made during the tax year if the individuals were employed in Maine
8 for at least 4 months of the tax year for which the credit is first claimed and for every month
9 thereafter in years for which the credit is claimed. The credit is equal to the lesser of 50%
10 of the loan payments actually made and 50% of income tax liability in the first year in
11 which the credit is claimed, which declines to 10% of income tax liability in the 5th and
12 final year in which the credit is claimed. The credit may not exceed 50% of the individual's
13 outstanding student loan debt and may not be claimed if the individual claims the credit for
14 educational opportunity.