

# MAINE STATE LEGISLATURE

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# 130th MAINE LEGISLATURE

## FIRST SPECIAL SESSION-2021

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Legislative Document

No. 1667

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H.P. 1238

House of Representatives, May 5, 2021

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**An Act To Create a Tax Credit for Maine Workers Who Have  
Earned Certificates from Accredited Institutions**

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Received by the Clerk of the House on May 3, 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 "Robert B. Hunt".

ROBERT B. HUNT  
Clerk

Presented by Representative SHEEHAN of Biddeford.  
Cosponsored by Representatives: FAY of Raymond, Speaker FECTEAU of Biddeford,  
TERRY of Gorham.

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

2 **Sec. 1. 20-A MRSA c. 441** is enacted to read:

3 **CHAPTER 441**

4 **EDUCATIONAL CERTIFICATE TAX CREDIT PROGRAM**

5 **§12941. Definitions**

6 As used in this chapter, unless the context otherwise indicates, the following terms  
7 have the following meanings.

8 **1. Accredited Maine community college, college or university.** "Accredited Maine  
9 community college, college or university" means an institution that is accredited by a  
10 regional accrediting association or by one of the specialized accrediting agencies  
11 recognized by the United States Secretary of Education and is:

12 A. Any campus of the Maine Community College System;

13 B. Any campus of the University of Maine System;

14 C. The Maine Maritime Academy;

15 D. Any educational institution that is located in this State and has authorization to  
16 confer an associate degree or a bachelor's degree, in accordance with sections 10704  
17 and 10704-A;

18 E. Any educational institution that is located in this State and is exempted from chapter  
19 409 under section 10708, subsections 1 and 2; and

20 F. Any educational institution that is located in this State and is operating under a  
21 certificate of temporary approval from the state board under section 10703, to the  
22 extent that a student is ultimately able either to obtain an associate or a bachelor's  
23 degree at that institution or to transfer to and obtain a degree from an institution  
24 described in paragraphs A to E.

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

29 **3. Certificate.** "Certificate" means a postsecondary credential other than a degree  
30 denoting the successful completion of a course of study required for an occupation or to  
31 enter or to advance in an occupation.

32 **4. Educational certificate tax credit.** "Educational certificate tax credit" means the  
33 tax credit provided for in Title 36, section 5217-E.

34 **5. Educational institution.** "Educational institution" has the same meaning as in  
35 section 10701, subsection 3.

36 **6. Financial aid package.** "Financial aid package" means financial aid obtained by a  
37 student for attendance at an accredited Maine community college, college or university.  
38 For an employer claiming a tax credit under this chapter, "financial aid package" includes

1 financial aid obtained by a qualified employee for attendance at an accredited non-Maine  
2 community college, college or university. "Financial aid package" includes private loans  
3 or less than the full amount of loans under federal programs, depending on the practices of  
4 the accredited Maine community college, college or university or non-Maine community  
5 college, college or university.

6 **7. Maine resident.** "Maine resident" means an individual who qualifies for Maine  
7 residence under Title 21-A, section 112. An individual is a Maine resident if, at the time  
8 the individual commences the relevant certificate program, the individual is registered to  
9 vote in the State or occupies a dwelling in the State and continues to occupy a dwelling in  
10 the State during the school year, except periods when it is reasonably necessary for the  
11 individual to live elsewhere as part of an accredited Maine community college, college or  
12 university's academic programs.

13 **8. Qualified employee.** "Qualified employee" has the same meaning as in Title 36,  
14 section 5217-E, subsection 1, paragraph J.

15 **9. Qualified individual.** "Qualified individual" has the same meaning as in Title 36,  
16 section 5217-E, subsection 1, paragraph K.

17 **§12942. Program created**

18 **1. Program created; goals.** The Educational Certificate Tax Credit Program, referred  
19 to in this chapter as "the program," is created to provide a tax credit to Maine residents who  
20 obtain a certificate and live, work and pay taxes in this State thereafter. The program is  
21 designed to achieve the following goals:

22 A. Promote economic opportunity for people in this State by ensuring access to the  
23 training and higher education that higher-paying jobs require;

24 B. Bring more and higher-paying jobs to this State by increasing the skill level of this  
25 State's workforce;

26 C. Offer educational opportunity and retraining to individuals affected by job loss,  
27 workplace injury, disability or other hardship;

28 D. Keep young people in this State through incentives for educational opportunity and  
29 creation of more high-paying jobs; and

30 E. Accomplish all of the goals in this subsection with as little bureaucracy as possible.

31 **2. Administration.** The program must be administered as described in this subsection.

32 A. The department, in consultation with the State Tax Assessor, shall make information  
33 about the program available on the department's publicly accessible website. The  
34 department shall refer any questions regarding the program to the relevant accredited  
35 Maine community college, college or university's financial aid office. The assessor  
36 shall provide to an accredited Maine community college, college or university  
37 information that is necessary to document a student's eligibility for the educational  
38 certificate tax credit.

39 B. A Maine resident who enrolls in an accredited Maine community college, college  
40 or university who receives financial aid in the form of loans may participate in the  
41 program. An accredited Maine community college, college or university shall, at a  
42 minimum, provide information about the program in financial aid award materials,

1 entrance interviews, exit interviews, materials listing financial aid resources and, as  
2 appropriate, any promotional materials provided by state agencies, to the extent such  
3 contacts with students are already part of the accredited Maine community college,  
4 college or university's procedures.

5 C. An accredited Maine community college, college or university shall document for  
6 the student information required for purposes of the educational certificate tax credit,  
7 including, once the student has earned the certificate, the total principal of loans the  
8 student received as part of that student's financial aid package related to certificate  
9 course work completed at the accredited Maine community college, college or  
10 university. The accredited Maine community college, college or university shall  
11 provide an original or certified copy to the student and shall retain a copy of the  
12 documentation in its files for at least 10 years after the student graduates.

13 **3. Effective date; participation by individual already enrolled in certificate**  
14 **program.** The program must commence for the first semester that begins after the effective  
15 date of this chapter. A Maine resident who when the program commences is enrolled in a  
16 certificate program at an accredited Maine community college, college or university may  
17 participate, subject to the same essential terms as other program participants.

18 **4. Promotion by state agencies.** The department, the Finance Authority of Maine,  
19 the Department of Economic and Community Development and any other agency engaging  
20 in education-related outreach shall integrate promotion of the program with other  
21 educational outreach efforts to the extent possible in a manner consistent with the scope of  
22 the program and its centrality to the State's efforts to raise the levels of educational  
23 attainment of Maine residents.

24 A. The department shall notify superintendents about the program annually and  
25 encourage the superintendents to publicize the availability of the program among  
26 students, parents and school staff.

27 B. The Department of Labor shall require that publicly funded workforce development  
28 programs, including state and local workforce boards and the Competitive Skills  
29 Scholarship Program established in Title 26, section 2033, include within their plans  
30 and programs efforts to promote and increase awareness of the program.

31 **5. Promotion by institutions.** Public higher education institutions identified in  
32 section 12591, subsection 1, paragraphs A to C shall make reasonable efforts to inform  
33 students about the program.

34 **6. Publicity.** To assist institutions of higher education to promote the program, the  
35 Finance Authority of Maine shall contract with a private nonprofit corporation in the  
36 amount of at least \$20,000 annually to market the program throughout the State, targeting  
37 high schools, postsecondary educational institutions and organizations of parents, teachers  
38 and other relevant audiences. Marketing efforts must include printed materials, online  
39 information and in-person promotional efforts.

40 **§12943. Effect on funding of higher education**

41 It is the intent of the Legislature that neither the existence of the program nor the  
42 benefits provided under the educational certificate tax credit serve as justification to  
43 decrease other funds appropriated or allocated to accredited Maine community colleges.

1 colleges or universities, including institutions in the Maine Community College System  
2 and the University of Maine System, or to other higher education programs.

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

4 **§5217-E. Credit for educational certificate**

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

7 A. "Accredited Maine community college, college or university" has the same meaning  
8 as in Title 20 A, section 12941, subsection 1

9 B. "Accredited non-Maine community college, college or university" has the same  
10 meaning as in Title 20-A, section 12941, subsection 2.

11 C. "Benchmark loan payment" means the monthly loan payment for the amount of the  
12 principal cap paid over 10 years at the interest rate for federally subsidized Stafford  
13 loans under 20 United States Code, Section 1077a applicable during the year of the  
14 individual's enrollment in a certificate program at an accredited Maine community  
15 college, college or university or an accredited non-Maine community college, college  
16 or university under paragraph K, subparagraph (1).

17 D. "Certificate" has the same meaning as in Title 20-A, section 12941, subsection 3.

18 E. "Employer" has the same meaning as the term "employing unit," as defined in Title  
19 26, section 1043, subsection 10.

20 F. "Financial aid package" has the same meaning as in Title 20-A, section 12941,  
21 subsection 6.

22 G. "Full time" with regard to employment means employment with a normal workweek  
23 of 32 hours or more.

24 H. "Part time" with regard to employment means employment with a normal workweek  
25 of between 16 and 32 hours.

26 I. "Principal cap" means the average in-state tuition and mandatory fees for attendance  
27 at an accredited Maine community college, college or university for the academic year  
28 ending during the calendar year prior to the year of completion of the certificate  
29 program.

30 J. "Qualified employee" means an employee who is employed at least part time and  
31 who is a qualified individual or who would be a qualified individual except that the  
32 employee's certificate was awarded by an accredited non-Maine community college,  
33 college or university.

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

37 (1) Attended and obtained a certificate from an accredited Maine community  
38 college, college or university or non-Maine community college, college or  
39 university after December 1, 2021;

40 (2) During the taxable year, was a resident individual; and

41 (3) Worked during the taxable year:

1                   (a) At least part time in this State for an employer or as a self-employed  
2                   individual or was, during the taxable year, deployed for military service in the  
3                   United States Armed Forces, including the National Guard and the Reserves  
4                   of the United States Armed Forces; or

5                   (b) At least part time in a position on a vessel at sea.

6                   As used in this subparagraph, "deployed for military service" means active military  
7                   duty with the state military forces, as defined in Title 37-B, section 102, or the  
8                   United States Armed Forces, including the National Guard and the Reserves of the  
9                   United States Armed Forces, whether pursuant to orders of the Governor or the  
10                  President of the United States.

11                  L. "Resident individual" means someone:

12                   (1) Who is domiciled in this State; or

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

17                  M. "Seasonal employment" has the same meaning as in Title 26, section 1251.

18                  N. "Term of employment" includes all months when the individual is actually  
19                  employed. "Term of employment" includes time periods when an individual is on  
20                  leave or vacation and extends to the full year for individuals working for employers  
21                  who customarily operate only during a regularly recurring period of 9 months or more  
22                  in a calendar year. For individuals working for employers who customarily operate  
23                  only during regularly recurring periods of less than 9 months in a calendar year,  
24                  including seasonal employment, the term of employment extends only to months  
25                  during which the individual is actually working.

26                  **2. Credit allowed.** For tax years beginning on or after January 1, 2022, a qualified  
27                  individual or an employer of a qualified employee is allowed a credit against the tax  
28                  imposed by this Part in accordance with the provisions of this section. The credit is created  
29                  to implement the Educational Certificate Tax Credit Program established under Title 20-  
30                  A, chapter 441.

31                   A. A taxpayer entitled to the credit under this section for any taxable year may carry  
32                   over and apply to the tax liability for any one or more of the next succeeding 10 years  
33                   the portion, as reduced from year to year, of any unused credits.

34                   B. A taxpayer may claim a credit based on a loan payment actually made to a relevant  
35                   lender or lenders under this section only with respect to a loan that is part of the  
36                   qualified individual's financial aid package and only with respect to the loan payment  
37                   amount paid by the taxpayer during that part of the taxable year that the qualified  
38                   individual worked in this State. Payment of a loan amount in excess of the amount due  
39                   during the taxable year does not qualify for the credit. A refinanced loan or  
40                   consolidated loan that is part of the qualified individual's financial aid package is  
41                   eligible for the credit under this section if the refinanced loan or consolidated loan  
42                   remains separate from other debt, except for debt incurred in an educational program,  
43                   but only in proportion to the portion of the loan payments that are otherwise eligible  
44                   under this section. Forbearance or deferment of a loan payment does not affect

1 eligibility for the credit under this section. An individual who worked in this State for  
2 any part of a month during the Maine residency period of the taxable year is considered  
3 to have worked in this State for the entire month. An individual who worked outside  
4 this State for an entire month during the Maine residency period is considered to have  
5 worked in this State during that month, except that this exception may not exceed 3  
6 months during the Maine residency period of the taxable year.

7 C. Except as provided in subsection 3, the credit under this section may not reduce the  
8 tax otherwise due under this Part to less than zero.

9 **3. Calculation of the credit; qualified individuals.** Subject to subsection 2 and  
10 except as provided in this subsection, the credit with respect to a qualified individual is  
11 equal to the lesser of:

12 A. The benchmark loan payment multiplied by the number of months during the  
13 taxable year in which the taxpayer made loan payments; and

14 B. The monthly loan payment amount multiplied by the number of months during the  
15 taxable year in which the taxpayer made loan payments.

16 The credit under this subsection is refundable to the extent the credit is based on loans  
17 included in the financial aid package acquired to obtain a certificate.

18 **4. Calculation of the credit; employers.** Subject to subsection 2, a taxpayer  
19 constituting an employer making loan payments directly to a lender during the taxable year  
20 on loans included in a qualified employee's financial aid package may claim a credit equal  
21 to the actual monthly loan payment made by the employer on the loans multiplied by the  
22 number of months during the taxable year the employer made loan payments on behalf of  
23 the qualified employee during the term of employment. The credit under this subsection  
24 may not be claimed with respect to months of the taxable year during which the employee  
25 was not a qualified employee.

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

29 **Sec. 3. Report.** By February 1, 2023, each accredited Maine community college,  
30 college or university, as defined in the Maine Revised Statutes, Title 20-A, section 12941,  
31 subsection 1, shall report to the Department of Education on efforts to promote the  
32 Educational Certificate Tax Credit Program under Title 20-A, section 12942, and to train  
33 admissions and financial aid staff about the program. By March 1, 2023, the department  
34 shall report findings and recommendations regarding the program to the joint standing  
35 committee of the Legislature having jurisdiction over education and cultural affairs and the  
36 joint standing committee of the Legislature having jurisdiction over taxation matters. By  
37 March 1, 2023, the Department of Administrative and Financial Services, Bureau of  
38 Revenue Services, Office of Tax Policy shall report on implementation of the educational  
39 certificate tax credit under Title 36, section 5217-E, including statistics on credits claimed,  
40 to the joint standing committee of the Legislature having jurisdiction over education and  
41 cultural affairs and the joint standing committee of the Legislature having jurisdiction over  
42 taxation matters. The Office of Tax Policy, in conjunction with the State Economist and  
43 the Department of Labor, shall include in its report an analysis of the costs of the credits  
44 claimed and the impact of the program on the State's labor force. After receipt and review



1 of the information required under this section, the joint standing committee of the  
2 Legislature having jurisdiction over education and cultural affairs or the joint standing  
3 committee of the Legislature having jurisdiction over taxation matters may report out to  
4 the Legislature a bill regarding the program.

5 **SUMMARY**

6 This bill creates the Educational Certificate Tax Credit Program, modeled on the Job  
7 Creation Through Educational Opportunity Program, for workers who receive a certificate  
8 from an accredited postsecondary educational institution denoting completion of a course  
9 of study required for an occupation or to enter or advance in an occupation.