

Date:

(Filing No. H- )

## TAXATION

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### STATE OF MAINE HOUSE OF REPRESENTATIVES 132ND LEGISLATURE FIRST SPECIAL SESSION

COMMITTEE AMENDMENT “ ” to H.P. 1032, L.D. 1574, “An Act to Amend the Credit for Educational Opportunity and Student Loan Repayment Tax Credit”

Amend the bill by striking out everything after the enacting clause and inserting the following:

**'Sec. 1. 36 MRSA §5217-E, sub-§2,** as enacted by PL 2021, c. 635, Pt. H, §15, is amended to read:

**2. Credit allowed.** For taxable years beginning on or after January 1, 2022, 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, with respect to a qualified individual, is equal to the amount of loan payments made directly by the taxpayer to the lender during the taxable year plus the amount of any carryover allowed in accordance with paragraph C and, for tax years beginning on or after January 1, 2026, paragraph F, up to a maximum of \$2,500 per year. The credit is created to implement the Job Creation Through Educational Opportunity Program established under Title 20-A, chapter 428-C-, referred to in this subsection as "the program."

A. A qualified individual may claim a credit under this section based on loan payments made directly by the taxpayer to a relevant lender or lenders only with respect to loans that are part of the qualified individual's financial aid package and only with respect to loan payment amounts paid directly by the taxpayer during that part of the taxable year that the qualified individual was a resident individual. Refinanced loans or consolidated loans that are part of the qualified individual's financial aid package are eligible for the credit under this section if the refinanced loans or consolidated loans remain separate from other debt, but only in proportion to the portion of the loan payments that are otherwise eligible under this section.

B. Loans 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) do not qualify for the credit under this section. For purposes of this paragraph, a person is considered related to the qualified individual if

1 that person meets the criteria listed in the Code, Section 267(b) or Section 707(b)(1).  
2 As used in this paragraph, "qualified employer plan" has the same meaning as in the  
3 Code, Section 72(p)(4).

4 C. For taxable years beginning on or after January 1, 2022 and before January 1, 2027,  
5 a qualified individual with unused carryover credits pursuant to section 5217-D,  
6 subsection 2, paragraph A from the credit for educational opportunity generated in the  
7 10 years from January 1, 2012 to December 31, 2021 may carry over and apply to the  
8 credit amount allowed pursuant to this section the portion, as reduced from year to  
9 year, of any unused credits.

10 D. A qualified individual may only receive a credit otherwise allowed pursuant to this  
11 section up to a total lifetime credit cap amount of \$25,000.

12 E. With respect to a qualified individual who received a credit pursuant to section  
13 5217-D that reduced the qualified individual's tax liability or resulted in a refundable  
14 credit, to the extent the credit is based on loans included in the financial aid package  
15 acquired to obtain a bachelor's degree or associate degree in science, technology,  
16 engineering or mathematics in any taxable year beginning on or after January 1, 2019  
17 and before January 1, 2022, the maximum credit allowed under this section is \$3,500  
18 for the qualified individual's taxable year beginning in either 2022 or 2023, whichever  
19 taxable year is elected by the qualified individual. Any credit amount allowed in excess  
20 of \$2,500 as a result of this paragraph is not applied against the lifetime credit cap  
21 under paragraph D.

22 F. For tax years beginning on or after January 1, 2026, an otherwise qualified  
23 individual may carry forward credits for qualified loan payments in excess of the  
24 \$2,500 annual limit, up to the lifetime credit cap amount. To the extent that the early  
25 payment of the qualifying loan exceeds the maximum \$2,500 credit available to the  
26 qualified individual in that tax year, the remainder of the balance paid on the qualifying  
27 loan after subtracting the credit amount claimed may be carried forward as a credit  
28 under this paragraph available to the taxpayer in subsequent tax years. The total credit  
29 received in a tax year, including application of any carry-over credits under this  
30 paragraph, may not exceed \$2,500.

31 (1) Carry-over credit amounts under this paragraph are nonrefundable when  
32 claimed and may not reduce the taxpayer's tax liability below zero.

33 (2) For purposes of this paragraph, notwithstanding subsection 1, paragraph E,  
34 subparagraph (2), "otherwise qualified individual" includes a nonresident  
35 taxpayer.'

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

## 38 SUMMARY

39 This amendment restructures the changes to the student loan repayment tax credit under  
40 the bill to allow a qualified individual under the Job Creation Through Educational  
41 Opportunity Program to prepay qualifying loans and carry forward the amount of the

1 prepayment as carry-over credits, claiming up to \$2,500 per year. The taxpayer is required  
2 to meet the ongoing employment requirements of the program but may be a nonresident.

3 **FISCAL NOTE REQUIRED**

4 **(See attached)**