

**TAXATION COMMITTEE**

MLS 5/3/2021 5:01 PM

**130<sup>th</sup> LEGISLATURE**

**1st REG SESSION**

LD	LR	PH	WS	SPONSOR	TITLE	SUMMARY (Summaries may not reflect content of most recent committee action)	COMM ACTION	FISCAL IMPACT <sup>1</sup>	
								FY22	FY23
798	334			Pouliot	An Act To Improve the Educational Opportunity Tax Credit	<p>This bill <u>replaces current IT credit for educational opportunity</u> for tax years beginning on or after January 1, 2022.</p> <p>The bill <u>creates a new simplified tax credit for student loan repayment</u> applicable to tax years beginning on or after January 1, 2022. It provides that taxpayers who were eligible for a refundable credit under the credit for educational opportunity may continue to receive a refundable credit for tax years beginning before January 1, 2024.</p> <p><u>ELEMENTS OF NEW CREDIT:</u></p> <ol style="list-style-type: none"> <li>1. A <u>qualified individual</u> must               <ol style="list-style-type: none"> <li>A. be a full-year Maine resident</li> <li>B. who has obtained an associate, bachelor's or graduate degree</li> <li>C. from an accredited Maine or non-Maine community college, college or university and</li> <li>D. who works at least part time in Maine or on a vessel at sea or is deployed for military service in the United States Armed Forces during the taxable year.</li> </ol> </li> <li>2. <u>Loans obtained from related persons</u>, such as family members, and certain businesses, trusts and exempt organizations, <u>do not qualify</u> for the credit.</li> <li>3. The credit is <u>not refundable</u></li> <li>4. The credit allowed for <u>qualified individuals</u> is the <u>lesser of the amount paid on eligible education loans during the taxable year and 15% of the outstanding eligible education loan debt on the</u></li> </ol>			

<sup>1</sup> . Numbers may represent preliminary estimates and are subject to change. For more detail, please see fiscal note documents in LD file.

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						<p><u>date the first education loan payment is made after a degree is earned.</u></p> <p>5. The <u>credit allowed for employers is the lesser of the amount paid by an employer on behalf of a qualified employee during the taxable year during the term of employment and 20% of the outstanding eligible education loan debt on the date the first education loan payment is made after December 31, 2021.</u></p> <p>6. The <u>credit is available to the spouse of an individual eligible for a credit even if the spouse is not employed.</u></p> <p>7. Income tax <u>deductions are provided for student loan payments made directly to a lender by an employer on behalf of a qualified employee and payments made directly to a lender on behalf of a taxpayer by a student loan repayment program funded by a nonprofit foundation and administered by the Finance Authority of Maine for residents of the State employed by a business located in the State.</u></p> <p>8. The <u>annual credit may include loan amounts paid in excess of the amount due during a taxable year.</u></p> <p>9. Credits in excess of those that may be used during a taxable year <u>may be carried over for the next succeeding 5 years.</u></p> <p>The bill also provides an appropriation of \$75,000 annually to FAME to market the tax credit.</p> <p>MRS indicates the 15% limitation creates complexity.</p>			

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973	928			Wood	An Act Regarding the Educational Opportunity Tax Credit	<p>This bill allows a qualified individual receiving a EdOp IT credit to</p> <ol style="list-style-type: none"> <li>1. <u>claim payments made by April 1, 2021 on loan payments due in tax year 2020 and</u></li> <li>2. <u>To claim payments made until December 21, 2021 for loan payments due in tax year 2021.</u></li> <li>3. <u>For tax years beginning January 1, 2022, the bill allows prepayment prior to the due date on obligations for loans due that tax year and</u></li> <li>4. <u>For qualified individuals to be able to make catch-up payments in the first 2 years of their participation in the program.</u></li> </ol> <p><u>MRS indicates some provisions of bill not necessary and adds increased complexity and administrative burden.</u></p>			
977	648			Hepler	An Act Regarding the Maine Educational Opportunity Tax Credit	<p><b>CURRENT LAW:</b> allows a <u>person who obtained</u> an associate or bachelor's <u>degree</u> from an accredited Maine or non-Maine community college, college or university after <u>December 31, 2015</u> and a <u>person who obtained a graduate degree from an accredited Maine college or university</u> after December 31, 2015 <u>to be eligible for the educational opportunity tax credit.</u></p> <p><b>THIS BILL:</b> <u>For tax years beginning on or after January 1, 2022, expands eligibility for the tax credit to a person who obtained the same type of degrees after 12/31/11</u></p> <p><b>MRS</b> adds increased complexity and admnistrative burden</p>			

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1410	1570			Brenner	An Act To Incentivize the Development of the Labor Force in the Green Jobs Sector through Assistance in Repaying Student Loan Debt	<p>This bill <u>creates a new Maine income tax credit</u> for:</p> <ol style="list-style-type: none"> <li>1. <u>Maine residents</u></li> <li>2. <u>who work in certain green jobs</u> or STEM careers</li> <li>3. <u>in this State</u> and</li> <li>4. <u>who make student loan payments</u> related to their attendance at an accredited community college, college or university.</li> </ol> <p>The <u>income tax credit</u> is equal to <u>the lesser of</u></p> <ol style="list-style-type: none"> <li>1. a <u>benchmark loan payment</u> amount calculated by the State Tax Assessor and</li> <li>2. the <u>taxpayer's monthly loan payment amount, multiplied by the number of months that the taxpayer made loan payments within the taxable year.</u></li> </ol> <p>The income tax credit is <u>refundable</u> to the extent that the taxpayer's <u>loans were part of financial aid package to obtain or attempt to obtain an associate, bachelor's or graduate degree from an accredited community college, college or university.</u></p> <p>MRS has technical concerns.</p>			

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1458	1415			Babbidge	An Act To Expand Incentives To Live and Work in Maine through a Partial Tax Credit for Certain Student Loans	<p>This bill provides a <u>new nonrefundable income tax credit</u>:</p> <ol style="list-style-type: none"> <li>up to <u>\$1,000 per year for eligible individuals</u></li> <li>for <u>certain student loan payments</u> made during the tax year</li> <li>if the <u>individuals were employed in Maine</u> for at least 4 months of the tax year for which the credit is first claimed and for every month thereafter in years for which the credit is claimed.</li> </ol> <p><u>"Eligible individual"</u> is a</p> <ol style="list-style-type: none"> <li><u>resident individual</u></li> <li>who had <u>received degree from accredited Maine or non-Maine community college, college or university.</u></li> </ol> <p>The credit is equal to the lesser of:</p> <ol style="list-style-type: none"> <li><u>50% of the loan payments actually made</u> and</li> <li><u>50% of income tax liability</u> in the first year in which the credit is claimed, <u>which declines to 10% of income tax liability in the 5th and final year</u> in which the credit is claimed.</li> </ol> <p>The credit may not exceed 50% of the individual's <u>outstanding student loan debt and may not be claimed if the individual claims the credit for educational opportunity.</u></p> <p>MRS has technical concerns.</p>			

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