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An Act To Simplify and Expand the Educational Opportunity Tax Credit

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

Sec. 1. 36 MRSA §5217-D, sub-§1, ¶B-1, as amended by PL 2015, c. 300, Pt. A, §42 and amended by c. 328, §5, is repealed and the following enacted in its place:

B-1. "Financial aid package" means financial aid obtained by a student for attendance at an accredited Maine community college, college or university. For purposes of a qualified individual claiming a credit under this section for tax years beginning on or after January 1, 2013 but before January 1, 2016 who is eligible for a credit under paragraph G, subparagraph (1), division (a), "financial aid package" may include financial aid obtained for up to 30 credit hours of course work at an accredited non-Maine community college, college or university earned prior to transfer to an accredited Maine community college, college or university, if the 30 credit hours were earned after December 31, 2007 and the transfer occurred after December 31, 2012. For purposes of a qualified individual claiming a credit under this section for tax years beginning on or after January 1, 2016 who is eligible for a credit under paragraph G, subparagraph (1), division (a-1), "financial aid package" may include financial aid obtained by a student for attendance at an accredited non-Maine community college, college or university after December 31, 2007. For purposes of a qualified individual claiming a credit under this section for tax years beginning on or after January 1, 2016 who is eligible for a credit under paragraph G, subparagraph (1), division (b), "financial aid package" may include financial aid obtained by a student for attendance at an accredited non-Maine community college, college or university after December 31, 2007. For purposes of a qualified individual claiming a credit under this section for tax years beginning on or after January 1, 2016 who is eligible for a credit under paragraph G, subparagraph (1), division (c), "financial aid package" may include financial aid obtained by a student for attendance at an accredited Maine college or university after December 31, 2007. For purposes of an employer claiming a credit under this section for tax years beginning on or after January 1, 2013, "financial aid package" may include financial aid obtained by a qualified employee for attendance at an accredited non-Maine community college, college or university. "Financial aid package" may include private loans or less than the full amount of loans under federal programs, depending on the practices of the accredited Maine or non-Maine community college, college or university. Loans are includable in the financial aid package only if entered into prior to July 1, 2023.

Sec. 2. 36 MRSA §5217-D, sub-§1, ¶E, as amended by PL 2013, c. 525, §15, is further amended to read:

E. "Qualified employee" means an employee who is employed at least part time and who is a qualified individual or who would be a qualified individual except that the employee's associate or bachelor's degree was awarded by an accredited non-Maine community college, college or university.

For tax years beginning on or after January 1, 2016, "qualified employee" means an employee who is employed at least part time and who is a qualified individual or who would be a qualified individual except that the employee's associate, bachelor's or graduate degree was awarded by an accredited non-Maine community college, college or university.

Sec. 3. 36 MRSA §5217-D, sub-§1, ¶G, as amended by PL 2015, c. 328, §6, is further amended to read:

G. "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:

(a) An associate or bachelor's degree from an accredited Maine community college, college or university after December 31, 2007 but before January 1, 2016. The individual need not obtain the degree from the institution in which that individual originally enrolled as long as all course work toward the degree is performed at an accredited Maine community college, college or university, except that an individual who transfers to an accredited Maine community college, college or university after December 31, 2012 but before January 1, 2016 from outside the State and earned no more than 30 credit hours of course work toward the degree at an accredited non-Maine community college, college or university after December 31, 2007 and prior to the transfer is eligible for the credit if all other eligibility criteria are met. Program eligibility for such an individual must be determined as if the commencement of course work at the relevant accredited Maine community college, college or university was the commencement of course work for the degree program as a whole. This division does not apply to tax years beginning after December 31, 2015;

(a-1) For tax years beginning on or after January 1, 2016, an associate or bachelor's degree from an accredited Maine community college, college or university after December 31, 2007 but before January 1, 2016, regardless of whether the individual earned credit hours of course work toward the degree outside the State;

(b) An associate or bachelor's degree from an accredited Maine or non-Maine community college, college or university after December 31, 2015; or

(c) A graduate degree from an accredited Maine college or university after December 31, 2015;

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

(5) Worked during the taxable year:

(a) For tax years beginning prior to January 1, 2015, at least part time for an employer located in this State or, for tax years beginning on or after January 1, 2013, was, during the taxable year, deployed for military service in the United States Armed Forces, including the National Guard and the Reserves of the United States Armed Forces; ~~or~~

(b) For tax years beginning on or after January 1, 2015, at least part time in this State for an employer or as a self-employed individual or was, during the taxable year, deployed for military service in the United States Armed Forces, including the National Guard and the Reserves of the United States Armed Forces; or

(c) For tax years beginning on or after January 1, 2016, at least part time in a position on a vessel at sea.

As used in this subparagraph, "deployed for military service" has the same meaning as in Title 26, section 814, subsection 1, paragraph A.

Sec. 4. 36 MRSA §5217-D, sub-§5, as amended by PL 2013, c. 525, §15, is further amended to read:

5. Calculation of the credit; employers. Subject to subsection 2, a taxpayer constituting an employer making loan payments directly to a lender during the taxable year on loans included in a qualified employee's financial aid package may claim a credit equal to the benchmark loan payment or the actual monthly loan payment made by the employer on the loans, whichever is less, multiplied by the number of months during the taxable year the employer made loan payments on behalf of the qualified employee during the term of employment. For tax years beginning on or after January 1, 2016, subject to subsection 2, a taxpayer constituting an employer making loan payments directly to a lender during the taxable year on loans included in a qualified employee's financial aid package may claim a credit equal to the actual monthly loan payment made by the employer on the loans multiplied by the number of months during the taxable year the employer made loan payments on behalf of the qualified employee during the term of employment. The credit under this subsection may not be claimed with respect to months of the taxable year during which the employee was not a qualified employee.

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

SUMMARY

This bill, for tax years beginning on or after January 1, 2016, allows a qualified individual who earned a bachelor's or associate degree from an accredited Maine community college, college or university

after December 31, 2007 but before January 1, 2016 to be eligible for the educational opportunity tax credit regardless of the number of transfer credits earned at a non-Maine community college, college or university. Under current law, an individual who earned more than 30 credit hours from a non-Maine community college, college or university prior to 2016 does not qualify for the credit.

The bill, for tax years beginning on or after January 1, 2016, allows a resident of Maine who is employed at least part time in a position on a vessel at sea to qualify for the educational opportunity tax credit. Under current law, an individual, other than an individual deployed for military service, does not qualify for the credit if the individual works outside Maine for more than 3 months.

The bill, for tax years beginning on or after January 1, 2016, encourages employers to pay student loan payments by expanding the employer credit to include graduate degrees earned by qualified employees and by removing the principal cap relative to qualified employees.