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Legislative Document

No. 1537

H.P. 1057

House of Representatives, April 25, 2017

**An Act To Replace the Educational Opportunity Tax Credit with
the Student Loan Repayment Credit for Maine Residents**

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 204.

Reference to the Committee on Taxation suggested and ordered printed.

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

ROBERT B. HUNT
Clerk

Presented by Representative POULIOT of Augusta.
Cosponsored by Senator DOW of Lincoln and
Representatives: HILLIARD of Belgrade, STANLEY of Medway.

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

2 **Sec. 1. 20-A MRSA §12541, sub-§4**, as enacted by PL 2007, c. 469, Pt. A, §1, is
3 amended to read:

4 **4. Educational opportunity tax credit.** "Educational opportunity tax credit" means
5 the tax credit provided for in Title 36, section 5217-D, except that for tax years beginning
6 on or after January 1, 2017, "educational opportunity tax credit" means the tax credit
7 provided for in Title 36, section 5217-E.

8 **Sec. 2. 20-A MRSA §12541, sub-§8**, as enacted by PL 2013, c. 525, §5, is
9 amended to read:

10 **8. Qualified employee.** "Qualified employee" has the same meaning as in Title 36,
11 section 5217-D, subsection 1, paragraph E, except that for tax years beginning on or after
12 January 1, 2017, "qualified employee" has the same meaning as in Title 36, section
13 5217-E, subsection 1, paragraph H.

14 **Sec. 3. 20-A MRSA §12541, sub-§9**, as enacted by PL 2013, c. 525, §6, is
15 amended to read:

16 **9. Qualified individual.** "Qualified individual" has the same meaning as in Title 36,
17 section 5217-D, subsection 1, paragraph G, except that for tax years beginning on or after
18 January 1, 2017, "qualified individual" has the same meaning as in Title 36, section
19 5217-E, subsection 1, paragraph I.

20 **Sec. 4. 36 MRSA §5217-D, sub-§6** is enacted to read:

21 **6. Application.** Except for the credit allowed with respect to the carry-over of
22 unused credit amounts pursuant to subsection 2, paragraph A, the credit allowed under
23 this section does not apply to tax years beginning on or after January 1, 2017.

24 **Sec. 5. 36 MRSA §5217-E** is enacted to read:

25 **§5217-E. Credit for student loan repayment**

26 For tax years beginning on or after January 1, 2017, a Maine resident individual is
27 allowed a credit for student loan repayments as computed under this section against the
28 taxes imposed under this Part.

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

31 A. "Accredited Maine community college, college or university" has the same
32 meaning as in Title 20-A, section 12541, subsection 1.

33 B. "Accredited non-Maine community college, college or university" means an
34 institution located outside the State that is accredited by a regional accrediting
35 association or by one of the specialized accrediting agencies recognized by the
36 United States Secretary of Education.

1 C. "Education loan payment" means a loan payment paid during the taxable year for
2 eligible education loans.

3 D. "Eligible education loan" means a loan obtained by a qualified individual for
4 attendance by that qualified individual at an accredited Maine or non-Maine
5 community college, college or university to obtain an associate, bachelor's or
6 graduate degree after 2007. "Eligible education loan" includes a refinanced loan or
7 consolidated loan if the refinanced loan or consolidated loan remains separate from
8 other debt, except for debt incurred in an educational program, but only in proportion
9 to the portion of the loan payment that is otherwise eligible under this section.
10 "Eligible education loan" does not include a loan obtained from a person related to
11 the qualified individual or from any person by reason of a loan under any qualified
12 employer plan or under a contract referred to in the Code, Section 72(p)(5). For
13 purposes of this paragraph, a person is considered related to the qualified individual if
14 that person meets the criteria listed in the Code, Section 267(b) or Section 707(b)(1).
15 As used in this paragraph, "qualified employer plan" has the same meaning as in the
16 Code, Section 72(p)(4)(A).

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

19 F. "Part time," as that term refers to employment, means employment that on average
20 during the taxable year consists of a workweek of at least 16 hours, but less than 32
21 hours.

22 G. "Qualified employee" means an employee who is employed at least part time and
23 who is a qualified individual.

24 H. "Qualified individual" means an individual, including the spouse filing a joint
25 return with the individual under section 5221, who is eligible for the credit provided
26 in this section. An individual is eligible for the credit if the individual:

27 (1) Attended and obtained an associate, bachelor's or graduate degree from an
28 accredited Maine or non-Maine community college, college or university after
29 2007;

30 (2) Was a resident individual for the entire taxable year; and

31 (3) Either:

32 (a) Worked during the taxable year:

33 (i) At least part time in this State for an employer or as a self-employed
34 individual; or

35 (ii) At least part time in a position on a vessel at sea; or

36 (b) Was deployed for military service in the United States Armed Forces,
37 including the National Guard and the Reserves of the United States Armed
38 Forces. As used in this division, "deployed for military service" has the same
39 meaning as in Title 26, section 814, subsection 1, paragraph A.

40 I. "Resident individual" means an individual:

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

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

5 J. "Seasonal employment" has the same meaning as in Title 26, section 1251 and in
6 rules adopted pursuant to that section.

7 K. "Term of employment" includes all months when the individual is actually
8 employed and includes time periods when an individual is on leave or vacation. It
9 extends to the full year for individuals working for employers that customarily
10 operate only during a regularly recurring period of 9 months or more during the
11 taxable year. For individuals working for employers that customarily operate only
12 during regularly recurring periods of less than 9 months during the taxable year,
13 including seasonal employment, the term of employment extends only to months
14 during which the individual is actually working.

15 **2. Credit allowed.** A qualified individual or an employer of a qualified employee is
16 allowed a credit against the tax imposed by this Part in accordance with the provisions of
17 this section. The credit is created to implement the Job Creation Through Educational
18 Opportunity Program established under Title 20-A, chapter 428-C.

19 A. A taxpayer may claim a credit based on loan payments actually made to a relevant
20 lender or lenders under this section only with respect to eligible education loan
21 payment amounts paid by the taxpayer during that part of the taxable year that the
22 qualified individual worked in this State. Payment of loan amounts in excess of the
23 amounts due during the taxable year does not qualify for the credit. Forbearance or
24 deferral of loan payments does not affect eligibility for the credit under this
25 section. An individual who worked in this State for any part of a month of the taxable
26 year is considered to have worked in this State for the entire month.

27 B. The credit under this section may not reduce the tax otherwise due under this Part
28 to less than zero.

29 **3. Calculation of the credit; qualified individuals.** Subject to subsection 2, the
30 credit with respect to a qualified individual is equal to the lesser of:

31 A. The monthly payment amount made on eligible education loans multiplied by the
32 number of months during the taxable year in which the taxpayer made payments on
33 eligible education loans; and

34 B. The greatest of \$1,000 if the qualified individual obtained an associate degree,
35 \$2,000 if the qualified individual obtained a bachelor's degree and \$3,000 if the
36 qualified individual obtained a graduate degree.

37 **4. Calculation of the credit; employers.** Subject to subsection 2, a taxpayer
38 constituting an employer making payments on eligible education loans directly to a lender
39 during the taxable year on behalf of a qualified employee may claim a credit equal to the
40 actual monthly loan payment made by the employer on the loans, multiplied by the
41 number of months during the taxable year the employer made the loan payments on
42 behalf of the qualified employee during the term of employment. The credit under this
43 subsection may not be claimed with respect to months of the taxable year during which

1 the employee was not a qualified employee. If the qualified employee is employed on a
2 part-time basis during the taxable year, the credit with respect to that employee is limited
3 to 50% of the credit otherwise determined under this subsection.

4

SUMMARY

5 This bill makes the current tax credit for educational opportunity inapplicable to tax
6 years beginning on or after January 1, 2017 and creates a new simplified tax credit for
7 student loan repayment applicable to tax years beginning on or after January 1, 2017.
8 The credit, available to qualified individuals, is equal to the amount of eligible education
9 loan payments made during the tax year, up to the greatest of \$1,000 for individuals
10 having obtained an associate degree, \$2,000 for individuals having obtained a bachelor's
11 degree and \$3,000 for individuals having obtained a graduate degree. A qualified
12 individual must be a full-year Maine resident who has obtained an associate, bachelor's or
13 graduate degree from an accredited Maine or non-Maine community college, college or
14 university after 2007 and who works at least part time in Maine or on a vessel at sea or is
15 deployed for military service in the United States Armed Forces during the taxable year.
16 Loans obtained from related persons, such as family members and certain businesses,
17 trusts and exempt organizations, do not qualify for the credit. The credit may not reduce
18 the tax due to less than zero. The credit for employers of qualified employees is equal to
19 the amount of eligible education loan amounts paid during the taxable year, except that
20 the credit attributable to part-time employees is limited to 50% of the credit otherwise
21 determined.