

OFFICE OF FISCAL AND PROGRAM REVIEW

Date: January 10, 2012
To: Members, Joint Standing Committee on Taxation
From: Elizabeth Cooper, Legislative Analyst

L.D. 835, An Act To Strengthen Maine's Economy through Improvements to the Educational Opportunity Tax Credit

Summary: This bill amends the educational opportunity tax credit by removing restrictions on the term of eligible loans and by making the tax credit refundable.

Public Hearing – April 6, 2011: Proponents - Opportunity Maine; Opposed – None;
NFNA– None

Background:

- In April 2011, the Committee voted OPA/ONTP (12-1) on LD 835 and LD 1174 (see below for bill summary). LD 835, as amended, extends the program to those with loans entered into before July 1, 2022, and made the tax credit refundable with an application date of tax years beginning on or after Jan. 1, 2012.
- The bill was passed in the House as amended; the Senate recommitted to the Taxation Committee and the House receded and concurred.
- As amended the bill, the fiscal note OFPR indicates a reductions in General Fund revenues and revenue sharing by a combined total of approximately \$57,000 in fiscal year 2012-13, \$86,000 in FY 13-14 and \$120,000 in FY 14-15; it could be substantially larger beyond fiscal year 2014-15 as more cohorts become eligible for a full credit and participation levels increase.
- The Committee carried over the bill to discuss options for this credit that may incorporate some of the ideas in both bills. Also, there was concern expressed about the promotion of the program.

Related Bill:

- *LD 1174, An Act To Help Maine's Employers To Recruit Skilled Workers by Expanding the Availability of the Educational Opportunity Tax Credit* as amended allows participants who received an associate or bachelor's degree from an out-of-state college or university to receive the credit if the degree is after 12/31/11 and applies to loans entered into before 7/1/2022.
- The bill was passed in the House as amended and was indefinitely postponed in the Senate.
- As amended the bill, the fiscal note OFPR indicates a reductions in General Fund revenues and revenue sharing by a combined total of approximately \$42,940 in fiscal year 2012-13, \$153,460 in FY 13-14 and \$270,792 in FY 14-15; it could be substantially larger beyond fiscal year 2014-15 as more cohorts become eligible for a full credit and participation levels increase.

Additional Information: A report from Maine Revenue Services is available related to credits claimed in 2008 and 2009, and the Department of Education provided a report related to promotion of the credit by colleges and universities.