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An Act To Provide Relief to Maine Residents from Postsecondary Tuition Costs

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

PART A

Sec. A-1. 20-A MRSA c. 428-C is enacted to read:

CHAPTER 428-C

College for all maine program

§ 12541. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Accredited Maine college or university. "Accredited Maine college or university" includes:

A. Any community college, 4-year college, university or other educational institution that is located in the State and has authorization to confer an associate, bachelor's, master's or doctorate degree, in accordance with sections 10704 and 10704-A;

B. Any educational institution that is located in the State and is exempt from chapter 409 under section 10708, subsections 1 and 2; and

C. Any educational institution that is located in the State and is operating under a license or certificate of temporary approval from the state board under section 10703.

2. CFAME or the program. "CFAME" or "the program" means the College For All Maine program established in section 12542.

3. CFAME contract. "CFAME contract" means the contract described in section 12542, subsection 3.

4. CFAME participant. "CFAME participant" means an individual who enters into a CFAME contract with the State, obtains the specified degree and complies with the requirements under section 12542, subsections 3 to 5.

5. CFAME tax credit. "CFAME tax credit" is the tax credit provided for in Title 36, section 5217-D.

6. Educational institution. "Educational institution" has the same meaning as in section 10701, subsection 3.

7. Eligible education costs. "Eligible education costs" means the sum of tuition and mandatory fees paid after the effective date of this section by a CFAME participant to an accredited Maine college or university for course work required to obtain the associate, bachelor's, master's or doctorate degree earned by the participant.

8. Maine resident. "Maine resident" means an individual who qualifies for Maine residence under the terms of Title 21-A, section 112.

9. Principal cap. "Principal cap" means the maximum amount of student loan principal that can qualify for a CFAME tax credit as set forth in section 12542, subsection 2, paragraph A.

§ 12542. Program established

1. Program goals. The College For All Maine program is established to reimburse eligible education costs for Maine residents who obtain an associate, bachelor's, master's or doctorate degree in Maine and thereafter live, work and pay taxes in the State. The program is designed to achieve the following goals:

- A. To promote economic opportunity for Maine people by ensuring access to the training and higher education that high-paying jobs require;
- B. To bring more high-paying jobs to Maine by increasing the skill level of Maine's workforce;
- C. To offer opportunity for education and retraining to individuals affected by job loss, disability or global outsourcing;
- D. To keep Maine's young people in the State by providing tax credits equal to the cost of attending college in Maine and through creation of more high-paying jobs;
- E. To create many high-paying jobs in Maine's community colleges, 4-year colleges and universities and surrounding communities by increasing enrollment and funding new campus jobs with the federal student loan proceeds produced by additional students; and
- F. To accomplish the goals set forth in this subsection with as little bureaucracy as possible and minimal administrative costs and without raising taxes.

2. Principal cap. The principal cap determines a lifetime limit on the student loan principal one individual may claim as a CFAME tax credit.

- A. Except as provided in paragraph C, the principal cap is equal to the lowest of the following amounts:

(1) The eligible educational costs incurred by the CFAME participant and paid for with the proceeds of a student loan;

(2) \$16,000 for participants obtaining one or more associate degrees;

(3) \$40,000 for participants obtaining one or more bachelor's degrees; and

(4) \$20,000 for participants obtaining one or more master's or doctorate degrees.

Participants earning both an associate degree and a bachelor's degree have a combined principal cap of \$40,000 for the 2 degrees. Participants earning both a master's degree and a doctorate degree have a combined principal cap of \$20,000 for those 2 degrees but may also claim credit for loans related to obtaining a bachelor's degree subject to the separately calculated principal cap for the bachelor's degree.

B. The financial aid office of each accredited Maine college or university attended by a CFAME participant shall calculate, once the participant has earned a degree, the amount of student loan proceeds the CFAME participant spent on eligible education costs. This amount must be listed on an addendum attached to the participant's CFAME contract.

C. Maine residents who are enrolled in a degree program prior to the effective date of this subsection or who sign a CFAME contract after completing some requirements for a degree may participate in the program subject to the same terms as other program participants, except that, when an already-enrolled individual signs a CFAME contract, the contract must specify the percentage of the individual's course work completed in pursuit of the degree that was performed before the individual was participating in the program. The CFAME principal cap must be calculated as the lower of:.

(1) The eligible education costs incurred by the participant; and

(2) The appropriate amount under paragraph A, subparagraph (2), (3) or (4) multiplied by the percentage of course work completed after the participant signed the CFAME contract.

3. CFAME contract. The state board shall draft a CFAME contract for use in enrolling individuals in the program. The terms of the CFAME contract must be as follows.

A. An individual who wishes to participate in the program must certify that the individual is a Maine resident.

B. The individual must agree to attend and to attempt to earn an associate's, bachelor's, master's or doctorate degree from an accredited Maine college or university. The individual need not obtain the degree from the institution in which the individual originally enrolled, as long as all course work toward the degree is performed at an accredited Maine college or university.

C. The individual must agree to live in Maine after obtaining the degree for any period during which the individual seeks to take advantage of the CFAME tax credit.

D. The individual must agree to maintain records relating to all student loans received and all loan payments claimed under the CFAME tax credit for 5 years after those payments are claimed.

E. With respect to education loans, the individual must agree to the following:

(1) The individual will claim the CFAME tax credit only for student loans that are part of the individual's financial aid package and that have monthly payments for a term of at least 8 years;

(2) If the individual in any way accelerates repayment of CFAME-certified loans, the individual may not claim a CFAME tax credit for the early student loan payments until the year that the payment was originally due; and

(3) The individual may refinance CFAME certified loans only if the loans remain separate from other debt and if the effect of the refinancing is to decrease both the annual repayment and the effective interest rate.

F. In exchange for the considerations outlined in paragraphs B to E, the State shall agree to permit the individual to take advantage of the CFAME tax credit.

G. The CFAME contract form must leave space for one or more accredited Maine colleges or universities to certify that the individual has obtained a degree and to certify the amount of student loan funds the CFAME participant used to pay for eligible education costs at the educational institution.

4. Administration. The program must be administered as follows.

A. A Maine resident who gains admission to an accredited Maine college or university and who receives financial aid in the form of loans may participate in the program. The financial aid office of the educational institution shall offer to such individuals the opportunity to sign a CFAME contract with the State. The financial aid office shall retain the contract until the individual obtains a degree or transfers to another accredited Maine college or university.

B. Once a CFAME participant obtains a degree, the financial aid office of the educational institution shall certify that the CFAME participant has obtained a degree and list the amounts of student loan funds the CFAME participant used to pay for eligible education costs at that educational institution. The principal amounts, interest rates and terms of student loans that are part of the

CFAME participant's financial aid packages must be listed on an addendum attached to the CFAME contract. Eligible education costs paid for with student loan proceeds must be similarly listed. The CFAME contract must then be filed with the Secretary of State. Every accredited Maine college and university shall develop procedures to facilitate this process, in consultation with the Secretary of State.

C. Once the CFAME contract has been filed with the Secretary of State, the CFAME participant becomes eligible to claim the CFAME tax credit, subject to the requirements of this chapter and of Title 36, section 5217-D. The CFAME participant may thereafter take advantage of any forbearance or deferment provisions in the relevant loan agreements without forfeiting the right to claim the CFAME tax credit when the CFAME participant resumes repayments.

5. Effective date; participation by individuals already enrolled in degree programs. CFAME commences for the first semester that begins after the effective date of this chapter. Individuals enrolled in a degree program before the effective date of this chapter may participate in the program and claim credit for eligible education costs paid for with student loans subject to the conditions listed in subsection 2, paragraph C.

§ 12543. Effect on funding of higher education

It is the intent of the Legislature that neither the existence of the program nor the benefits provided under the CFAME tax credit serve as justification to decrease other funds appropriated or allocated to the accredited Maine colleges and universities and to other higher education programs.

§ 12544. Rules

The State Board of Education shall, in accordance with Title 20-A, section 3, adopt rules as necessary to carry out the purposes of this chapter. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

PART B

Sec. B-1. 36 MRSA §5217-D is enacted to read:

§ 5217-D. Credit for student loan payments

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

- A. "CFAME contract" has the same meaning as in Title 20-A, section 12541, subsection 3.
- B. "CFAME participant" has the same meaning as in Title 20-A, section 12541, subsection 4.
- C. "Employer" has the same meaning as the term "employing unit," as defined in Title 26, section 1043.
- D. "Principal cap" has the same meaning as in Title 20-A, section 12541, subsection 9.

E. "Qualified employee" is an employee who is eligible for the credit under subsection 2 and who is employed at least part-time in the State.

F. "Resident individual" has the same meaning as in section 5102, subsection 5.

2. Credit and carry-over allowed. A taxpayer who is a CFAME participant or a Maine employer of a qualified employee is allowed a credit against the tax imposed by this Part for each taxable year under the terms established in this section.

A taxpayer entitled to the credit for any taxable year may carry over any unusable credit or portion thereof and apply it against tax liabilities in one or more of the next succeeding 10 years. The credit may not reduce the tax otherwise due under this Part to less than zero. More than one taxpayer may make payments on behalf of a single CFAME participant and then claim credit for the payments made, but no 2 taxpayers may claim a credit for the same payment.

3. Calculation of the credit. The tax credit under this section is calculated as follows.

A. If the CFAME participant's CFAME contract certifies that the total principal for all qualifying student loans is at or below the level of the principal cap, the taxpayer may claim a credit based on regularly scheduled student loan payments actually made, including both principal and interest.

B. If the total CFAME principal value of the student loans listed on a CFAME participant's CFAME contract exceeds the principal cap, then a credit may be claimed only for a portion of each monthly student loan payment. That credit is equal to the amount of the monthly loan payment, including principal and interest, multiplied by a fraction equal to the principal cap divided by the total principal value of the student loans.

4. Conditions for a CFAME participant claiming the credit. The CFAME participant may claim the credit under this section only for student loan payments made during months in which the participant was a resident individual working for an employer located in the State. A married couple filing jointly under section 5221 may claim the credit only to the extent that the spouse on whose behalf the credit is claimed meets these requirements.

5. Conditions for an employer claiming the credit. A taxpayer that is an employer may claim the credit under this section for repaying a qualified employee's CFAME-certified loans.

A. In order to claim the credit under this section, the employer must make partial or full loan payments directly to the relevant lender or lenders on behalf of a qualified employee and must have taken reasonable steps to ascertain that the employee is in fact a qualified employee. The employer may claim a credit only for loan amounts that come due and are paid by the employer during the term of the qualified employee's employment. To receive the credit, the employer must retain for 5 years any proof of eligibility that the employee provides.

B. If the qualified employee is employed only on a part-time basis, the employer may claim a credit under this section for only half of the total that the qualified employee might otherwise have claimed. For purposes of this paragraph, employment on a part-time basis means employment with a normal work week of between 16 and 32 hours.

C. An employer claiming a credit under this section on behalf of a qualified employee for a taxable year may not simultaneously claim a credit under, section 5219-V on behalf of the same employee.

SUMMARY

The purpose of this bill is to create economic opportunities for Maine people by making college affordable and to help the State retain and attract educated young people and increase the State's tax base without raising tax rates. This bill provides a dollar-for-dollar tax credit to reimburse Maine residents for student loan payments when they earn a degree in the State and then live, work and pay taxes in the State thereafter. Any Maine resident who earns a degree from any accredited Maine college, including community colleges, private colleges and all university campuses, may take advantage of the credit. Alternatively, an employer may make student loan payments for an employee and claim the credit.