

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 455 (Delegate Miller, *et al.*)
 Ways and Means

Education - Certification of Scholarship Granting Organizations (Opting in on Opportunity Act)

This bill requires the Maryland State Department of Education (MSDE) to approve and certify scholarship granting organizations (SGOs) in the State for purposes of the federal income tax credit program for qualified elementary and secondary education scholarships and establishes specified reporting requirements for MSDE and SGOs. By January 1, 2027, and annually thereafter, MSDE must submit to the U.S. Department of the Treasury a list of SGOs in the State. The Comptroller must make available online guidance that assists individual taxpayers in claiming the federal income tax credit for qualified contributions to SGOs. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures for MSDE increase by an estimated \$99,700 in FY 2027. Future years reflect annualization and ongoing costs. General fund revenues may increase by an indeterminate amount, as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	-	-	-	-	-
GF Expenditure	\$99,700	\$118,200	\$123,600	\$129,200	\$134,800
Net Effect	(\$99,700)	(\$118,200)	(\$123,600)	(\$129,200)	(\$134,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local income tax revenues may increase by an indeterminate amount, as discussed below. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The bill expresses legislative intent that it be construed in a manner that is consistent with and enables the State to participate in the federal tax credit scholarship program established under § 25F of the Internal Revenue Code (IRC).

A nonprofit organization seeking status as an SGO must apply to MSDE for approval and certification. SGOs must annually submit to MSDE a financial statement and program report demonstrating compliance with the bill. MSDE must make available online an annual report that includes the number of scholarships awarded by each SGO, the average and median scholarship amounts, and the schools attended by scholarship recipients.

As authorized by State and federal law, MSDE and the Comptroller may share information as necessary to carry out the bill's requirements. MSDE, in consultation with the Comptroller, may adopt regulations to carry out the bill, including regulations governing reporting, accountability, and penalties for noncompliance.

Current Law: The federal One Big Beautiful Bill Act of 2025 allows a federal individual income tax credit for up to \$1,700 of the amount of qualified cash contributions made by a taxpayer to a state-designated SGO during the tax year. The credit is available for tax years ending after December 31, 2026. Qualified contributions for which a credit is allowed may not be considered a charitable contribution for purposes of the IRC § 170 charitable contribution deduction.

By January 1 annually, a state that voluntarily elects to participate in the program must provide the Secretary of the Treasury with a list of SGOs located in the state that meet the applicable requirements. The election must be made by the governor of the state or other individual, agency, or entity designated under state law to make such an election.

An organization may be eligible for designation as an SGO if the organization is a public charity recognized under IRC § 501(c)(3); maintains one or more separate accounts exclusively for qualified contributions; provides scholarships to at least 10 students who do not all attend the same school; spends at least 90% of its income on scholarships for eligible students (as defined); does not provide scholarships for any expenses other than qualified elementary or secondary education expenses within the meaning of IRC § 530 (Coverdell education savings accounts); does not earmark or set aside contributions for scholarships on behalf of any particular student; and meets other specified requirements relating to the prioritization of scholarship awards and verification of student eligibility. "Eligible student" is defined as an individual who (1) is a member of a household whose income does not exceed 300% of the area median gross income and (2) is eligible to enroll in a public elementary or secondary school.

State/Local Revenues: To the extent the bill results in the diversion of otherwise deductible charitable contributions to SGOs, State general fund revenues and local income tax revenues may increase due to foregone charitable contribution deductions. Any such effect cannot be reliably predicted at this time.

State Expenditures: General fund expenditures for MSDE increase by an estimated \$99,736 in fiscal 2027, which accounts for a 90-day start-up delay from the bill’s effective date. This estimate reflects the cost of hiring a full-time program manager to develop regulations, administer the application and approval process, monitor compliance, and prepare the required annual report. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$90,595
Other Operating Expenses	<u>9,141</u>
Total FY 2027 State Expenditures	\$99,736

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

MSDE estimates additional contractual information technology (IT) costs associated with the development and maintenance of an online application and reporting portal totaling \$1.0 million in each of fiscal 2027 and 2028 and \$300,000 annually thereafter. The Department of Legislative Services is unable to independently verify MSDE’s IT needs at this time and advises that MSDE can request additional resources through the annual budget process as needed. Any related general fund expenditures are not reflected in this analysis.

The Comptroller’s Office can publish the required guidance and provide any assistance to MSDE with existing budgeted resources.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 329 (Senator Folden) - Education, Energy, and the Environment.

Information Source(s): Maryland State Department of Education; Comptroller’s Office; Department of Legislative Services

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