

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 882 (Senator Kramer)
 Budget and Taxation

Income Tax - Credit for Student Loan Debt of Educators Working in Public Schools

This bill establishes a nonrefundable State income tax credit for outstanding student loan debt of individuals who are employed full-time in a public elementary or secondary school in the State and participate in the State’s career ladder for educators. The credit must be claimed over a period of five years, and any unused amount may be carried forward indefinitely. The Maryland Higher Education Commission (MHEC) must administer the tax credit application, approval, and certification process and may not issue more than \$5.0 million in tax credit certificates annually. MHEC must adopt regulations to carry out the bill’s provisions and must report to the General Assembly by June 1 annually on program activity. **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$1.0 million in FY 2027 due to credits claimed against the income tax. Future years reflect new and continued tax credit claims. General fund expenditures for MHEC may increase beginning in FY 2027, as discussed below.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$1.0)	(\$2.0)	(\$3.0)	(\$4.0)	(\$5.0)
GF Expenditure	-	-	-	-	-
Net Effect	(\$1.0)	(\$2.0)	(\$3.0)	(\$4.0)	(\$5.0)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Eligible individuals may apply to MHEC for the tax credit by December 1 annually. MHEC must award tax credit certificates on a first-come, first-served basis and must award at least 70% of the total amount of authorized credits to eligible individuals who graduated from a high school in the State and who, in the previous year, graduated from an institution of higher education in the State. Applicants who have previously received a tax credit certificate under the bill are ineligible for further program benefits.

MHEC must notify an applicant of the amount of any tax credit certificate awarded by December 31. An eligible individual who is awarded a tax credit certificate may claim a credit equal to one-fifth of the amount stated on the certificate in each of five consecutive tax years; however, an individual may not claim the credit in the same tax year for which a student loan debt relief tax credit is claimed. For each of the four tax years following the initial tax year for which the credit is claimed, the individual must submit to MHEC verification that the individual continues to meet the eligibility requirements. Any credit claimed must be recaptured if the individual does not use the credit for repayment of the individual's student loan debt within three years from the close of the tax year for which the credit is claimed.

By June 1 annually, MHEC must report specified information to the General Assembly, including the number of applicants and tax credit certificates issued; the employers of and educational institutions from which eligible individuals graduated; the average amount of student loan debt of eligible individuals; and an analysis of the impact of the tax credit on the recruitment and retention of teachers in the State.

Current Law: The State does not offer an income tax credit for outstanding student loan debt of public elementary and secondary educators in the State, specifically. However, the State's student loan debt relief tax credit program offers refundable income tax credits of up to \$5,000 to individuals who have incurred at least \$20,000 in undergraduate and/or graduate student loan debt of which at least \$5,000 is outstanding. To claim the credit, an individual must apply to MHEC by September 15 each year. Upon application, the individual must submit an assurance that the individual will use any credit approved by MHEC for the repayment of the individual's undergraduate or graduate student loan debt as soon as practicable. The total amount of the credit claimed must be recaptured if the individual does not use the credit for the repayment of the individual's student loan debt within three years from the close of the tax year for which the credit is claimed.

Chapter 738 of 2023 doubled, from \$9.0 million to \$18.0 million, the maximum amount of student loan debt relief tax credits MHEC may award annually for tax year 2023 and beyond and made various other modifications to the program. Among other things, the Act

required MHEC to reserve \$9.0 million for tax credits for State employees and prioritize applicants who graduated from institutions of higher education in the State at which at least 40% of attendees are eligible to receive federal Pell Grants. The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced to \$9.0 million the maximum amount of credits MHEC may award for tax year 2025 and suspended for tax year 2025 the requirement that MHEC reserve \$9.0 million for State employees. The Act also required MHEC to make recommendations to the Governor and the General Assembly on program changes to better target the allocation of tax credits.

State Revenues: Assuming that MHEC issues the maximum authorized \$5.0 million in tax credit certificates annually and that tax credits awarded are fully claimed over the five-year claiming period, general fund revenue losses total \$1.0 million in fiscal 2027 and grow to \$5.0 million by fiscal 2031.

State Expenditures: General fund expenditures for MHEC may increase beginning in fiscal 2027 to the extent MHEC incurs personnel or other costs to administer the tax credit application, approval, and certification process. A precise estimate of the bill's potential impact on MHEC expenditures is not available at this time.

Additional Information

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

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Legislative Services

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