



January 25, 2013

### **FISCAL BRIEFING BRINGS ENCOURAGING NEWS**

On Monday, January 21<sup>st</sup>, legislators gathered in the Joint Hearing room in Annapolis to hear an overview from the Department of Legislative Services (DLS) on the overall fiscal condition of state government and the state. Among the brighter news was a reaffirming announcement that the structural deficit is nearly resolved under the Governor's FY 2014 plan. Maryland has experienced annual structural deficits well in excess of \$1 billion in three of the last five years – NOW lawmakers facing relatively benign operating deficits in the foreseeable future. The annual structural operating deficits are \$417 million in FY 2014 ebbing to \$154 million in FY 2018. A copy of the 2013 fiscal briefing material can be found here:

<http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2013rs-operating-budget-fiscal-briefing.pdf>

### **UNIVERSITIES AT SHADY GROVE POISED FOR EXPANSION**

Last week's newsletter overlooked that the USG Biomedical Sciences and Engineering (BSE) Education Facility received \$5 million in the Governor's FY 2014 capital budget for planning. This innovative facility is designed to meet the regional and state workforce needs in the STEM disciplines.

## **GOVERNOR TO DELIVER STATE OF THE STATE ADDRESS ON WEDNESDAY AT NOON**

Governor O'Malley is scheduled to deliver the State of the State address to Maryland's Senators and Delegates in the chamber of the House of Delegates at **noon on Wednesday January 30th**. The 2013 address is the seventh delivered by the Governor, who gave his first State of the State in 2007. Governor O'Malley is now in the third year of his second term. The State of the State address can be viewed on the Governor's Open Government Broadcast channel at: <http://www.governor.maryland.gov/stream.asp>

## **STUDENT LOAN TAX RELIEF CONSIDERED**

On Wednesday, in House Ways and Means Committee, members heard testimony on House Bill 87. The bill would create a subtraction modification against the state income tax for income resulting from the discharge of student loan debt. The subtraction modification cannot exceed \$15,000 for a single filer or \$25,000 for a joint filer. Currently, the state conforms to the federal tax treatment of canceled debts, foreclosures, repossessions, and abandonments.

Section 108(f) of the Internal Revenue Code specifies the circumstances under which the student loan indebtedness is taxable. In general, the discharge of student loan indebtedness can be excluded if the discharge was contingent upon the borrower working for a specific number of years in certain professions. Section 108(f)(4) also excludes any payments received under the National Health Service Corps Loan Repayment Program and similar state loan repayment programs. There are no income limitations or phase-outs on the tax treatment of student loan forgiveness. Recent IRS rulings have also specified that the following types of student loan forgiveness are not taxable: (1) public service loan forgiveness under the Higher Education Act of 1965; (2) teacher loan forgiveness under the Higher Education Act of 1965; and (3) most law school loan repayment assistance programs. Taxable student loan discharges include specified discharges related to (1) death and disability; (2) closed school, false certification and unpaid refunds; and (3) income-contingent repayments.

The bill's sponsor testified that student loan debt has become a growing crisis creating hardships that can be moderately alleviated through the tax code. Committee members wanted to know the impact on lenders and whether similar legislation has passed in others states.

## **LEGISLATIVE & BUDGET HEARINGS (JANUARY 28-FEBRUARY 8)**

### **Higher Education Policy Briefing - Maryland's College Completion**

January 28

120 Lowe House Office Building (shows as 3 Miller West on schedule)

1pm

**House Bill 7**

**Southern Maryland Higher Education Council - Modifications**

January 29

House Appropriations

1pm

**Higher Education Overview**

January 30 (2pm in House Appropriations) & February 1 (1pm Senate Budget & Taxation)

**House Bill 52**

**University and College Textbooks Tax-Free Periods**

February 5

House Ways & Means

1:30pm

**House Bill 58**

**University and College Textbooks Tax Exemption**

February 5

House Ways & Means

1:30pm

**House Bill 268**

**University of Maryland Center for Environmental Science - Joint Graduate Degree Granting Authority**

February 5

House Appropriations

2:00 p.m.

**Budget Hearing**

**USM Overview/Coppin State University**

February 6

House Appropriations Committee (Room 145 Lowe House Office Building)

1pm

&

February 7

Senate Budget & Taxation Committee

1pm

**SB 329**

**Hiring Preferences for Graduates of Public Institutions of Higher Education**

February 7

Senate Finance Committee

1pm

**NEW LEGISLATION**

**SB 341; Academic Program Action - Repeal of Application Fees**

**HB 294; Firearm Safety Act of 2013**