

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 528 (Senator Hettleman, *et al.*)
 Budget and Taxation

Income Tax - Credit for Nonpublic School Student Bus Transportation Expenses

This bill establishes a refundable income tax credit for qualified bus transportation expenses paid or incurred by a resident during the tax year on behalf of a nonpublic school student, as specified. Qualified bus transportation expenses are expenses paid to a school or school system for the daily bus transportation of a school student to or from a nonpublic elementary or secondary school in the State that participates in the Nonpublic Schools Textbook and Technology Grants Program. To qualify for the credit, a taxpayer must be a parent or guardian of a student on behalf of whom qualified expenses were paid or incurred. The maximum value of the credit is \$1,500 per student. **The bill takes effect July 1, 2024, and applies to tax year 2024 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$7.8 million in FY 2025; future years reflect projected growth in eligible tax credits. The Comptroller’s Office can implement the bill’s provisions with existing budgeted resources.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$7.8)	(\$7.9)	(\$8.1)	(\$8.3)	(\$8.5)
Expenditure	0	0	0	0	0
Net Effect	(\$7.8)	(\$7.9)	(\$8.1)	(\$8.3)	(\$8.5)

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: A parent or guardian of a student with a disability who is placed in a nonpublic educational program under § 8-406 of the Education Article to receive special education services may not claim the credit for transportation expenses paid or incurred on behalf of the student.

Current Law: State law does not provide for an income tax credit for nonpublic school student bus transportation expenses, nor does the State provide funding for nonpublic school transportation beyond grants to local education agencies for transportation of students with disabilities as required by § 5-218 of the Education Article.

Task Force to Study Nonpublic Student Bus Transportation

Chapter 777 of 2023 established the Task Force to Study Nonpublic Student Bus Transportation, which was charged with (1) collecting information from local boards of education and other relevant county departments regarding nonpublic school student busing programs in the county, other than programs for the transportation of students in special education placements; and (2) evaluating the impact on State revenues and expenditures, traffic congestion, and environmental and safety goals of the adoption of programs used in other states to provide transportation to nonpublic school students or otherwise reduce the use of passenger vehicles for the transportation of nonpublic school students.

The task force submitted its [final report](#) in December 2023. Among other things, the report recommends a State income tax credit for families that pay for students to be transported to and from their nonpublic school.

Nonpublic Schools Textbook and Technology Grants Program

The Nonpublic Schools Textbook and Technology Grants Program, as authorized in the annual State budget bill, provides textbooks and computer hardware, software, and other electronically delivered learning materials for loan to students in eligible nonpublic schools. Consistent with the fiscal 2024 appropriation, the Governor's proposed fiscal 2025 budget includes \$6.0 million in special funds for the program.

State Revenues: General fund revenues decrease by an estimated \$7.8 million in fiscal 2025 and by \$8.5 million in fiscal 2029. This estimate (1) is in part based on the results of a survey of nonpublic schools conducted by the task force, which revealed that approximately 20% of surveyed nonpublic schools have an operational student busing program and (2) assumes that approximately 25% of students attending qualifying nonpublic schools with operational student busing programs utilize these programs. In

addition, this estimate assumes that average per-student qualifying expenses are approximately \$900 (adjusted for general inflation throughout the estimate period) based on the annual per-student charge for out-of-county nonpublic school students who utilize the St. Mary's County nonpublic school transportation system. Lastly, this estimate assumes that the number of taxpayers potentially eligible for the tax credit remains relatively constant throughout the estimate period.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 324 and HB 486 of 2023, as introduced.

Designated Cross File: HB 537 (Delegates Attar and Stein) - Ways and Means.

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

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