SB3704

LRB0962038 3HLH36025 b

96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB3704

Introduced 2/11/2010, by Sen. Edward D. Maloney

SYNOPSIS AS INTRODUCED:

New Act

Creates the Job Creation and Education Act. Creates the Job Creation Through Education Opportunity Program to reimburse education-related expenses for students who obtain an associate or bachelor's degree in the State and who live, work, and pay taxes in the State thereafter. Contains provisions concerning the administration of the program. Creates an income tax credit based on student loan payments. Contains other provisions.

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FISCAL NOTE ACT
MAY APPLY

A BILL FOR

AN ACT concerning revenue.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 1. Short title. This Act may be cited as the Job Creation and Education Act.

Section 5. Definitions. As used in this Act:

"Accredited junior college, college, or university" means:

(1) any campus of the State community college system;

(2) any State university; and

(3) any educational institution that is located in this State and has authorization to confer an associate degree or a bachelor's degree.

"Benchmark Loan Payment" means the figure described in Section 10 of this Act.

"Educational opportunity tax credit" means the tax credit provided for in Section 15 of this Act.

"Resident" means a resident of this State.

"Opportunity contract" means the contract described in Section 10 of this Act.

"Principal cap" means the cap described in Section 10 of this Act.

"State Board" means the Illinois State Board of Education.

Section 10. Job Creation Through Educational Opportunity Program established.

(a) The Job Creation Through Educational Opportunity Program, referred to in this Act as "the program," is created to reimburse education-related costs for residents of this State who obtain an associate degree or a bachelor's degree in this State, and live, work, and pay taxes in this State thereafter. The program is designed to achieve the following goals:

(1) promote economic opportunity for people in this State by ensuring access to the training and higher education that higher-paying jobs require;

(2) bring more and higher-paying jobs to this State by increasing the skill level of this State's workforce;

(3) offer educational opportunity and retraining to people impacted by job loss, workplace injury, disability or other hardship;

(4) keep young people in this State through incentives for educational opportunity and creation of more high-paying jobs; and

(5) accomplish all of the goals in this subsection with as little bureaucracy as possible.

(b) A principal cap limits the loan principal that can serve as the basis for claiming the Educational Opportunity Tax Credit. The cap is based on in-state tuition and mandatory fees for either the State community college system or the State

University system, depending on whether the opportunity contract is for pursuit of an associate degree or of a bachelor's degree, respectively.

(c) For an individual earning a degree from the State community college system or from a State University, the relevant financial aid office shall certify, once the individual has earned the degree, whether or not the total principal of loans the individual received as part of that individual's financial aid package exceeds the cost of in-state tuition and mandatory fees incurred in pursuit of the degree. That cost constitutes the principal cap for such an individual.

(d) For an individual earning a degree from any other accredited State junior college, college, or university, the relevant financial aid office shall certify, once the individual has earned the degree, whether or not the total principal of loans the individual received as part of that individual's financial aid package exceeds the published in-state tuition and mandatory fees for full-time enrollment in the State community college system or in the State university system, depending on whether the degree is an associate degree or a bachelor's degree, respectively, during the relevant years. The published in-state tuition and mandatory fees constitute the principal cap for such an individual. If the individual has not attended full time throughout the pursuit of that individual's degree, an appropriate principal cap must be determined in a manner consistent with the principles set out in this subsection.

(e) For an individual whose student loans exceed the principal cap, a benchmark loan payment must be calculated as follows. The financial aid office shall calculate what the monthly payment would be on a loan for the amount of the principal cap, to be paid over the years and at the interest rate offered for federal Stafford loans under United States Code, Section 1077a, during the individual's last year of enrollment. The benchmark loan payment must be specified on the individual's Opportunity Contract.

(f) The State Board shall draft an Opportunity Contract for use in enrolling people in the program. The terms of the Opportunity Contract must require an individual who wishes to participate in the program to:

(1) certify that that individual is a resident of this state;

(2) agree to attend and to obtain a specified degree, either an associate degree or a bachelor's degree, from an accredited State junior college, college, or university. The individual need not obtain the degree from the institution in which that individual originally enrolled, so long as all course work toward the degree is performed at accredited State junior colleges, colleges or universities;

(3) agree to live in this State while pursuing the degree. The individual shall also agree to live in this

state after obtaining the degree during any period when that individual seeks to take advantage of the Educational Opportunity Tax Credit;

(4) agree to maintain records relating to loan payments claimed under the Educational Opportunity Tax Credit for 5 years after those payments are claimed; and

(5) with respect to educational loans, agree to the following:

(A) the individual may claim the Educational Opportunity Tax Credit only with respect to loans that are part of that individual's financial aid package and that have a term of at least 8 years;

(B) if the individual in any way accelerates repayment, the individual forfeits any right to claim an Educational Opportunity Tax Credit for that taxable year or any future taxable year; and

(C) the individual may refinance the loans only if they remain separate from other debt and if the effect of the refinancing is to decrease both the annual repayment and the total remaining indebtedness. In exchange for the consideration outlined in this subsection, the State shall agree to permit the individual to take advantage of the Educational Opportunity Tax Credit.

(g) The Opportunity Contract must leave space for the accredited State junior college, college, or university to certify that the individual has obtained the relevant degree, and to certify whether or not the loan principal that the individual incurs in pursuing the relevant degree exceeds the principal cap.

(h) The Program must be administered as follows:

(i) Any resident of this state who gains admission to an accredited state junior college, college or university and who receives financial aid in the form of loans must have the opportunity to participate in the program. The financial aid office of the relevant institution shall offer to such people the chance to sign an Opportunity Contract with the State. The financial aid office shall retain the Opportunity Contract until the individual obtains the degree.

(j) When the individual obtains the degree, the individual shall specify on the Opportunity Contract the source, principal amount, interest rate, and term of any loans that are part of the individual's financial aid package. The Opportunity Contract must contain certification that the individual has obtained the relevant degree and must specify whether the individual's loans exceed the principal cap and, if appropriate, what the benchmark loan payment is. The individual shall then file the Opportunity Contract with the Secretary of State. Every accredited State public junior college, college, and university located in this State shall develop procedures to facilitate this process, in consultation with the Secretary of State.

(k) When the individual files the Opportunity Contract with the Secretary of State, that individual becomes eligible to claim the Educational Opportunity Tax Credit, subject to the requirements of this Act. The individual may thereafter take advantage of any forbearance or deferment provisions in the relevant loan agreements without forfeiting the right to claim the Educational Opportunity Tax Credit when the individual resumes repayment. The program must commence the first semester after the effective date of this Act. State residents who, when the program commences, are enrolled in an associate or a bachelor's degree program at an accredited junior college, college, or university, may participate, subject to the same essential terms as other program participants. When such an individual obtains the relevant degree, it must be specified in the individual's Opportunity Contract what percentage of the course work completed in pursuit of the degree was performed while the individual was participating in the program. The principal cap and benchmark loan payment must be calculated in the ordinary way as provided in this Act, but the individual must then apply the percentage in this subsection to actual payments or to the benchmark loan payment, whichever applies, in determining the amount the individual can claim under the Educational Opportunity Tax Credit for a given year.

It is the intent of the General Assembly that neither the existence of the program nor the benefits provided under the Educational Opportunity Tax Credit serve as justification to decrease other funds appropriated or allocated to accredited State junior colleges, colleges, or universities, including institutions in the State community college system and the State university system, or to other higher education programs.

The State board shall adopt rules as necessary to carry out the purposes of this Act.

Section 15. Credit for Educational Opportunity.

(a) Definitions. As used in this section of this Act:

"Benchmark loan payment" has the same meaning as in Section 5 of this Act.

"Full Time" employment means employment with a normal work week of 32 hours or more.

"Part Time" employment means employment with a normal work week of between 16 and 32 hours.

"Qualified Employee" means an employee who is eligible for the credit provided in this Section and who is employed at least part time.

"Opportunity Contract" means the contract described in Section 10 of this Act.

"Opportunity Program Participant" means an individual who enters into an Opportunity Contract with the State, obtains the specified degree and complies with the requirements under Section 10 of this Act.

"Resident Individual" means a resident of the State.

"Term of Employment" includes all months when the individual is actually employed. It includes time periods when an individual is on leave or vacation. It extends to the full year for people working for employers who customarily operate only during a regularly recurring period of 9 months or more in a calendar year. For people working for employers who customarily operate only during regularly recurring periods of less than 9 months in a calendar year, including seasonal employment, the Term of Employment extends only to time periods when the individual is actually working.

(b) A taxpayer constituting an Opportunity Program Participant or an employer of a qualified employee is allowed a credit against the tax imposed by subsections (a) and (b) of Section 201 of the Illinois Income Tax Act for each taxable year under the terms established in this Section. The credit is created to implement the Job Creation Through Educational Opportunity Program established under Section 10 of this Act. The credit may not reduce the tax otherwise due under the Illinois Income Tax Act to less than zero. A taxpayer entitled to the credit for any taxable year may carry over and apply to the tax liability for any one or more of the next succeeding 10 years the portion, as reduced from year to year, of any unused credits. More than one taxpayer may claim a credit based on loan payments actually made to a relevant lender or lenders to benefit a single opportunity program participant, but no 2 taxpayers may claim the credit based on the same payment.

(c) The following provisions govern the calculation of the credit in this Section.

(1) If the relevant Opportunity Program Participant's Opportunity Contract limits the amount of the credit to a benchmark loan payment, and the relevant Opportunity Program Participant's actual monthly payment due is higher than that amount, then the credit claimed may not exceed the product of the benchmark loan payment and the number of months in which the taxpayer made loan payments.

(2) If the relevant Opportunity Program Participant's Opportunity Contract certifies that the principal for the relevant loans is at or below the level of the principal cap, or if the relevant opportunity program participant's actual monthly payment is below the benchmark loan payment, the taxpayer may claim a credit based only on regularly scheduled loan payments actually made.

(3) If the credit is claimed on behalf of an individual who was already enrolled in an associate or a bachelor's degree program at an accredited junior college, college, or university, as defined in Section 5 of this Act, on the commencement of the Job Creation Through Educational Opportunity Program under Section 10 of this Act, the percentage figure listed in the Opportunity Contract must be applied to the amount determined under paragraph (1) or (2).

(d) An Opportunity Program Participant may claim the credit only if the participant is a resident individual. The participant may claim the credit based only on regular payments made during months in which the individual was working for an employer located in this state. A married couple filing jointly under the Illinois Income Tax Act may claim the credit only to the extent that the spouse on whose behalf the credit is claimed meets these requirements.

(e) A taxpayer constituting an employer may claim the credit under this Section under the following circumstances. The employer may undertake to make partial or full loan payments directly to the relevant lender or lenders on behalf of a qualified employee, having taken reasonable steps to ascertain that the employee is in fact a qualified employee, and may claim a credit based on amounts that came due and were paid by the employer during the term of employment. To receive the credit, the employer must retain for 5 years any proof of eligibility that the employee or independent contractor provides.

(f) The employer may claim a credit for the amount that the qualified employee could have claimed during any months when the qualified employee was employed, had the qualified employee made the partial or full loan payments instead, under conditions where the qualified employee had sufficient income to claim the full credit for the taxable year. If the qualified employee is employed only on a part-time basis, the employer may claim a credit only up to half of the total that the qualified employee could have claimed had the qualified employee made all payments and earned sufficient income to claim the full credit for the taxable year, but the amount the employer claims must still be based on amounts actually paid.

Section 97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.