



Educational Opportunity Tax Credit

Bryan K. Lumbra
Tax Section Manager

www.maine.gov/revenue



Educational Opportunity Tax Credit (EOTC)

What is the EOTC?

A tax credit for both qualified individuals and employers for payments made directly to a lender on student loans.

The credit is refundable for all associate degrees or for a bachelor's degree classified as a science, technology, engineering, or mathematics (STEM) degree.

For all other qualifying degrees the credit is non-refundable with a 10-year carryforward



Qualifying Individuals

To qualify for the EOTC an individual must:

Be a Maine resident during the tax year

Have worked at least part-time in Maine

Have obtained a qualifying degree



Worked in Maine

Working in Maine includes:

Part-time employment (16 – 32 hours/week) in Maine.

Deployment by the U.S Armed forces outside Maine.

Self-employment in Maine.

Periods when an individual is on leave or vacation.

Seasonal employment in Maine.

At least part-time employment on a vessel at sea.



Qualifying Degrees

Associate and Bachelor's Degrees:

- Must be obtained after December 31, 2007.
- Degrees conferred prior to 2016 must have been awarded by an accredited Maine educational institution.
- Degrees conferred after December 31, 2015 can be conferred by an accredited Maine or non-Maine educational institution.

Graduate Degrees:

- Must be obtained after December 31, 2015.
- Must have been conferred by an accredited Maine college or university.



Online Degree Programs

A graduate degree earned through online coursework qualifies if the degree was obtained from an accredited college or university with a physical brick-and-mortar presence in the State of Maine. This also applies to associate and bachelor's degrees awarded prior to 2016.



Supporting Documentation

In the first-year filing for the EOTC, the taxpayer must provide:

- A complete copy of the college transcript.
- Proof of the educational loans and disbursement dates.
- Proof of educational loan payments made directly to the lender by the taxpayer.

In subsequent years, Maine Revenue Services may request additional supporting documentation.



Terminology

Benchmark: The upper cap on the credit. The benchmark amount is determined based on the year of graduation and is included in the worksheet instructions.

Amount due: The amount required to be paid to the lender on qualifying educational loans.

Amount paid: Total amount actually paid directly to the lender by the taxpayer.



Payment Schedule 2019

<u>MONTH DUE</u>	COLUMN A FOR EACH MONTH ENTER THE BENCHMARK <u>LOAN PAYMENT</u>	COLUMN B FOR EACH MONTH ENTER THE TOTAL LOAN PAYMENT <u>AMOUNT(S) DUE</u>	COLUMN C FOR EACH MONTH ENTER THE TOTAL LOAN PAYMENT <u>AMOUNT(S) PAID</u>	COLUMN D FOR EACH MONTH ENTER THE SMALLEST OF <u>COLUMN A, B, OR C</u>
a) January	\$ <u>377.00</u>	\$ <u>477.00</u>	\$ <u>477.00</u>	\$ <u>377.00</u>
b) February	\$ <u>377.00</u>	\$ <u>477.00</u>	\$ <u>500.00</u>	\$ <u>377.00</u>
c) March.....	\$ <u>377.00</u>	\$ <u>477.00</u>	\$ <u>500.00</u>	\$ <u>377.00</u>
d) April	\$ <u>377.00</u>	\$ <u>477.00</u>	\$ <u>477.00</u>	\$ <u>377.00</u>
e) May.....	\$ <u>377.00</u>	\$ <u>477.00</u>	\$ <u>477.00</u>	\$ <u>377.00</u>
f) June.....	\$ <u>377.00</u>	\$ <u>577.00</u>	\$ <u>577.00</u>	\$ <u>377.00</u>
g) July.....	\$ <u>377.00</u>	\$ <u>577.00</u>	\$ <u>877.00</u>	\$ <u>377.00</u>
h) August	\$ <u>377.00</u>	\$ <u>577.00</u>	\$ <u>577.00</u>	\$ <u>377.00</u>
i) September.....	\$ <u>377.00</u>	\$ <u>577.00</u>	\$ <u>577.00</u>	\$ <u>377.00</u>
j) October.....	\$ <u>377.00</u>	\$ <u>577.00</u>	\$ <u>577.00</u>	\$ <u>377.00</u>
k) November.....	\$ <u>377.00</u>	\$ <u>400.00</u>	\$ <u>400.00</u>	\$ <u>377.00</u>
l) December.....	\$ <u>377.00</u>	\$ <u>400.00</u>	\$ <u>400.00</u>	\$ <u>377.00</u>

TOTAL ELIGIBLE EDUCATION LOAN PAYMENTS. Add Column D, lines a through l above. Also enter this amount on the Educational Opportunity Tax Credit Worksheet, line 1 3. \$ 4,524.00



Calculating the Credit for Individuals

The eligible payments are determined by the least of the following:

- Total benchmark loan payment amounts
- Total amount due on eligible educational loans
- Total amount paid on eligible educational loans

******This is a simplification for tax year 2020******



Payment Schedule 2020 (DRAFT)

<u>MONTH DUE</u>	COLUMN A FOR EACH MONTH ENTER THE BENCHMARK <u>LOAN PAYMENT</u>	COLUMN B FOR EACH MONTH ENTER THE TOTAL LOAN PAYMENT <u>AMOUNT(S) DUE</u>	COLUMN C FOR EACH MONTH ENTER THE TOTAL LOAN PAYMENT <u>AMOUNT(S) PAID</u>	
a) January	\$ 377.00	\$ 477.00	\$ 477.00	
b) February	\$ 377.00	\$ 477.00	\$ 500.00	
c) March	\$ 377.00	\$ 477.00	\$ 500.00	
d) April	\$ 377.00	\$ 477.00	\$ 477.00	
e) May	\$ 377.00	\$ 477.00	\$ 477.00	
f) June	\$ 377.00	\$ 577.00	\$ 577.00	
g) July	\$ 377.00	\$ 577.00	\$ 877.00	
h) August	\$ 377.00	\$ 577.00	\$ 577.00	
i) September	\$ 377.00	\$ 577.00	\$ 577.00	
j) October	\$ 377.00	\$ 577.00	\$ 577.00	
k) November	\$ 377.00	\$ 400.00	\$ 400.00	
l) December	\$ 377.00	\$ 400.00	\$ 400.00	
m) Total	\$ 4,524.00	\$ 6,070.00	\$ 6,416.00	\$ 4,524.00



EOTC for Employers

Who is eligible for the employer credit?

- Employers that make student loan payments on behalf of qualified employees.

Employer must:

- Have a qualified employee (same qualifications for the individual credit).
- Make qualifying student loan payments directly to the lender.
- File for the credit using the Employer EOTC worksheet.



EOTC for Employers

The ***employer*** receives a tax credit for the entire amount of the eligible student loan payments, limited by only the ***amount due***.

The ***employee*** may be eligible for an income modification subtraction if the employer includes the loan payments as wages in Box 1 of Form W2.

Can be used as a recruitment and retention tool.

Common Reasons for Adjustment



Using the Incorrect Benchmark Amount

The benchmark loan payment is

<u>If you graduated in:</u>	<u>Associate degree</u>	<u>Bachelor's degree</u>	<u>Graduate degree</u>
2008	*	*	
2009	*	*	
2010	\$72.00	\$343.00	
2011	\$68.00	\$344.00	
2012	\$65.00	\$342.00	
2013	\$65.00	\$356.00	
2014	\$66.00	\$363.00	
2015	\$70.00	\$377.00	
2016	\$70.00	\$373.00	\$325.00
2017	\$68.00	\$364.00	\$317.00
2018	\$74.00	\$377.00	\$328.00
2019	\$77.00	\$367.00	\$338.00



Calculating Proration Factors Incorrectly

Loans disbursed prior to and after January 1, 2008.

Consolidated and refinanced loans.

Bachelor's and graduate degrees earned simultaneously.



Loans Disbursed Prior to and After 01/01/08

Calculate the proration factor.

Credit Hours Earned After 2007 *(Worksheet Line 2)*
Total Credit Hours Earned *(Worksheet Line 3)*

= Proration Factor *(Worksheet Line 4)*

Multiply the total eligible loan payments *(Worksheet Line 1)*
by the proration factor *(Worksheet Line 4)*

TIP: If all payments are to loans disbursed after 2007, proration is ***not required***.



Consolidated and Refinanced Loans

A single payment for multiple student loans is not consolidation.

Consolidated Loans

- Two or more federal educational loans combined into a single federal loan, generally resulting in a new weighted average interest rate.

Refinanced Loans

- Private lender pays off student loans resulting in a new interest rate.



Consolidated and Refinanced Loans

Calculate the proration factor using the loan balances at the time of consolidation.

$$\frac{\text{Total value of educational loans obtained to earn degree}}{\text{Total consolidated loan amount}}$$

= Proration Factor

Multiply the total amount due and total amount paid by the proration factor.



Degrees Awarded Simultaneously

Under an accelerated degree program, a taxpayer may earn both a bachelor's and a graduate degree simultaneously.

A proration factor is necessary to allocate loans to each degree earned.

- Use to disallow loans related to a graduate degree earned prior to 2016.
- Use to identify separate loan amounts for the bachelor's and the graduate degree EOTC.



Degrees Awarded Simultaneously

$$\frac{\text{Cost of courses taken to earn bachelor's degree}}{\text{Total cost of the bachelor's and graduate degrees}} = \text{Bachelor's degree proration factor}$$

- The proration is usually 80% for the bachelor's degree and 20% for the graduate degree.
- Multiply the proration factor by the total amount due and total amount paid.



Multiple Degrees

Is there a special calculation necessary if a taxpayer separately earns multiple qualifying degrees?

NO

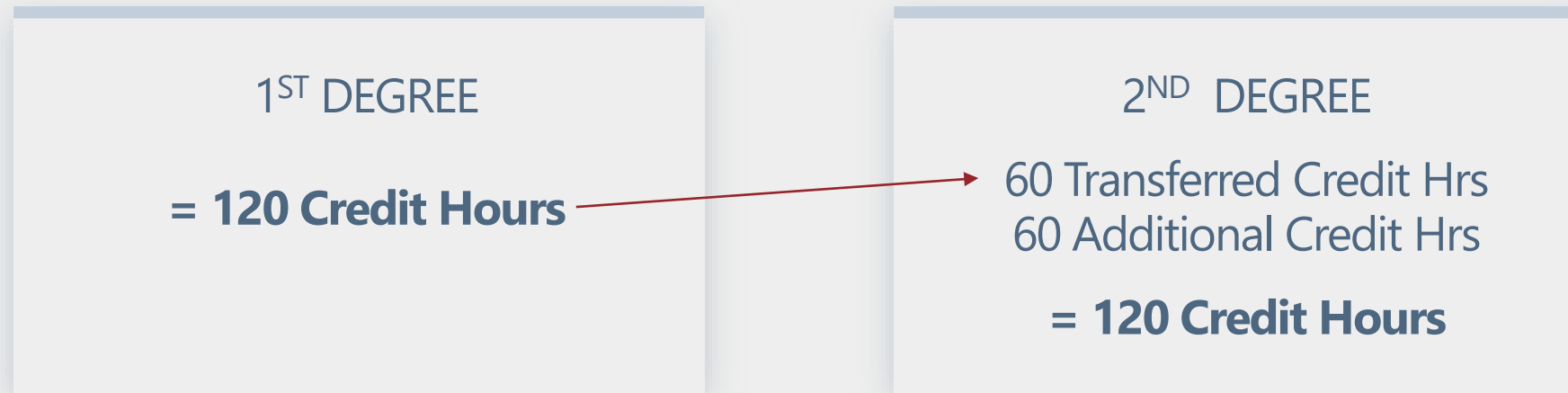
Calculate the EOTC for each degree making sure to only include loan payments applicable to the credit being claimed for the degree.

**If consolidated, remember to use the consolidation proration factor.*



Multiple Degrees

Example:



The loans disbursed for the 1st degree cannot be used to calculate the EOTC for the 2nd degree. Loans disbursed to earn the 60 additional credit hours can only be used to calculate the EOTC for the 2nd degree.



Who is Making the Payments?

Taxpayers cannot claim loan payments made by another person, even if the taxpayer compensates that person for making the payments.

The taxpayer may only claim payments they made directly to the relevant lender for an eligible educational loan they obtained.



Refundable Degrees

EOTC claimed for an associate degree is always refundable.

EOTC claimed for a graduate degree is never refundable.

EOTC claimed for a STEM degree is refundable.

- Denial of refundability is ***not*** a denial of the credit.
It's all about the timing!



STEM Determination

Determine the Classification of Instructional Programs (CIP) code for the qualifying degree and school.

- Use the “CIP Wizard” tool on the National Center for Educational Statistics (NCES).

If the CIP code is listed on the U.S. Dept. of Homeland Security, Immigration and Customs Enforcement STEM-designated Degree Program List (ICE List), the degree is classified as STEM.

Updates to Rule 812.



Contact Information

MRS Web site: www.maine.gov/revenue

- Electronic services: Electronic return and payment options
- Summary of tax law changes
- Frequently asked questions
- Register to receive *Maine Tax Alert* free by e-mail

EOTC Telephone Assistance:

- 207-626-8475 and option 2
- Mon – Fri, current phone hours 9:00 am – 12:00 pm

Email: income.tax@maine.gov



Thank you.

Cover background image by Lee Nachtigal / [CC BY](#)

