

CLARENCE K. LAM, M.D., M.P.H.
Legislative District 12
Baltimore and Howard Counties

Education, Health, and Environmental Affairs
Committee

Executive Nominations Committee

Joint Committee on Ending Homelessness

Chair

Joint Committee on Fair Practices and
State Personnel Oversight

Chair

Howard County Senate Delegation



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Miller Senate Office Building
11 Bladen Street, Room 420
Annapolis, Maryland 21401
410-841-3653 • 301-858-3653
800-492-7122 Ext. 3653
Clarence.Lam@senate.state.md.us

SB761 Income Tax-529 College Investment Plans- Elementary and Secondary Education Expenses

Purpose of SB761:

To address and help correct State income tax losses created by Federal tax law changes made in December 2017. These changes allowed Section 529 investments to be used for elementary through secondary education expenses in addition to higher education expenses.

Addresses problems found in by a recent Legislative Services audit of Maryland 529 administration processes and procedures. The audit found a serious lack of documentation about the program and distributions made under it.

What SB761 Does:

Addresses income tax changes and lack of documentation by requiring:

- Prohibit individuals from claiming distributions used for K-12 education expenses in State income subtraction modifications for contributions to the Maryland College Investment Plan or the Maryland Prepaid Trust
- The Comptroller to establish regulations to provide a process for submitting information.
- Entities which make distributions to provide annual statements to account holders and the Comptroller each year, and
- Individuals who use distributions for K-12 expenses to provide annual information to the Comptroller.

Why SB761 is Needed:

529 saving plans were initially created in the 1990s to allow families to save for higher education, including accredited trade schools. Allowing their use for K-12 education expenses dilutes amounts families will have available to them to use when for the costs of higher education.

Prevent lost state taxes and revenue (estimated at over \$20 million a year) as well as to help prevent lost local revenue (over \$10 million a year)

Revert the state tax subtraction to its original intention for higher education expenses and incentivize the use of 529 savings fund as an investment fund for higher education

10 states have disqualified using 529 savings accounts for K-12 schools (New York, Illinois, Minnesota, Vermont, California, Colorado, Montana, Nebraska, New Mexico, Oregon)

Favorable Report on SB761 will problems in the administration of Maryland 529 and help encourage families to invest in higher education.