

Testimony in SUPPORT of House Bill 1300
Income Tax – 529 College Investment Plans – Elementary and Secondary Education Expenses

House Appropriations Committee
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The Maryland State Education Association strongly supports House Bill 1300, which expressly forbids state tax subtractions for funds withdrawn from 529 accounts when those funds are used for elementary or secondary education expenses. This bill also adds important reporting requirements for added accountability.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our 896,837 students for careers and jobs of the future. MSEA also represents 39 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

MSEA supports HB 1300, which would help to return Maryland's 529 program to its original intent. If enacted, this bill would save state and local governments tens of millions of dollars by removing the subtraction modification on state and local income taxes. Failure to act on this bill will continue a state-permitted voucher program based on federal tax law changes in 2017 that will cost approximately \$30m per year. Passing this legislation and stopping this unintended voucher program is critical.

Maryland's 529 program is now serving two purposes: first, helping Marylanders save and pay for higher education for their loved ones, and secondly, helping families invest private school tuition funds in tax-benefitted accounts while receiving a state match. Provisions inserted into Federal Tax Cuts and Jobs Act of 2017 allows families to pay for private school K-12 tuition with 529 account funds. That was never the intent in Maryland and as the program currently stands, Maryland taxpayers are subsidizing private elementary and secondary school tuition with state funds designed to incentivize saving for college.

The Maryland Higher Education Commission estimates that student loan debt is about \$1.48 trillion nationally, and the average student loan debt in Maryland is around \$27,455 per student. Unfortunately, the loophole in the 529 program results in less funding available to address skyrocketing student loan debt. According to a press release from Governor Hogan in 2018, the 529 "program was designed to help families, especially those from low- and middle-income households, have the opportunity to start saving for college for their children." Marylanders struggle to afford higher education, and the legislature should restore this program to its original intent. This bill would help to put guardrails around the program and ensure the state is doing all it can to help Marylanders save for higher education.



The Kirwan Commission has determined that Maryland will need to put substantially more resources into education if our state is to help our citizens become truly successful in the very competitive national and global economies. This is the time to locate and allocate more resources to public education, and to make sure current expenditures are used for their intended purposes. The passage of this bill helps to do just that.

MSEA urges a favorable report of House Bill 1300.