



Peter Franchot
Comptroller

TESTIMONY OF COMPTROLLER PETER FRANCHOT

Support - House Bill 1300 - Income Tax - 529 College Investment Plans - Elementary and Secondary Education Expenses

Appropriations Committee

March 3, 2021

Chair McIntosh, Vice Chairman Chang and members of the Committee, it is my pleasure to provide testimony in **support** of **House Bill 1300 - Income Tax - 529 College Investment Plans - Elementary and Secondary Education Expenses**. I would like to thank Del. Smith for sponsoring this important legislation.

In 1996, Congress created the opportunity for tax-deferred investment accounts under Section 529 of the Internal Revenue Code, allowing millions of families to grow their college funds with the stock market. Along the way, state legislatures joined the effort to manage the rising costs of higher education by creating additional investment opportunities and - in Maryland's case - even greater incentives, like a generous tax deduction of \$2,500 per account per year to encourage families to save for college. And the reasons why Congress and the General Assembly sought to emphasize the value of an affordable college education are obvious: higher lifetime earnings, economic mobility, greater community involvement, and better health outcomes - all proven benefits of higher education.

Sadly, none of these earlier legislative efforts anticipated that a well-intentioned program designed to make college more affordable for every family would one day be used to discourage investment in the public K-12 education system and subsidize private and parochial schools whose curricula are not beholden to taxpayers. Unfortunately, the federal legislation that permitted the use of 529 funds for K-12 expenses accomplished both of those things, to the detriment of students and families at all income levels. HB1300 corrects that mistake by returning Maryland's 529 Plan to its original goal of lowering the cost of college for every family.

For the reasons stated above, I respectfully request a **favorable report** for House Bill 1300. Thank you for your time and consideration.

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