

# HOUSE BILL 692

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By: **Delegates Frick, A. Washington, Afzali, Barkley, Bromwell, Chang, Conaway, Jones, Kaiser, Kelly, Lam, McDonough, Platt, Valderrama, Waldstreicher, C. Wilson, K. Young, and Zucker**

Introduced and read first time: February 12, 2015

Assigned to: Appropriations

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## A BILL ENTITLED

1 AN ACT concerning

2 **College Savings Plans of Maryland – Maryland College Savings Account Plan –**  
3 **Authorization**

4 FOR the purpose of authorizing the College Savings Plans of Maryland Board to establish  
5 the Maryland College Savings Account Plan for certain purposes; requiring the  
6 Board to oversee the administration of the Savings Account Plan; requiring the  
7 Board to maintain the Savings Account Plan in compliance with certain standards  
8 for qualified tuition programs; requiring the Board to adopt certain procedures;  
9 requiring the Board to issue certain statements to account holders at least once each  
10 year; authorizing the Board to issue certain requests for proposals; requiring the  
11 Board to consider proposals that meet certain criteria; authorizing the Board to  
12 require certain fees; establishing certain limitations and requirements for  
13 contributions to and administration of the Savings Account Plan; establishing  
14 participation and distribution requirements; providing that neither the faith and  
15 credit nor the taxing power of the State is pledged to the payment of debts, contracts,  
16 and obligations of the Savings Account Plan; providing that certain entities are not  
17 liable for certain losses; prohibiting certain money from being considered or  
18 commingled with certain money or deposited in the State Treasury; exempting  
19 certain entities and accounts from the Insurance Article; providing that the assets  
20 and the income of the Savings Account Plan are exempt from State and local  
21 taxation; prohibiting a person from seizing a certain benefit or asset; requiring  
22 certain audits; allowing a subtraction modification under the State income tax for  
23 certain contributions to an account under the Savings Account Plan; allowing certain  
24 amounts disallowed under the subtraction modification as a result of a certain  
25 limitation to be carried over and subtracted for succeeding taxable years; requiring  
26 an addition modification for certain distributions made under certain accounts;  
27 allowing a subtraction modification for certain distributions from certain accounts;  
28 making conforming changes; providing for the application of this Act; defining

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 certain terms; and generally relating to the College Savings Plans of Maryland and  
2 Maryland College Savings Account Plan.

3 BY repealing and reenacting, with amendments,  
4 Article – Education  
5 Section 18–1901, 18–1902.1, 18–1904(b), 18–1905, 18–19A–05, and 18–19B–05  
6 Annotated Code of Maryland  
7 (2014 Replacement Volume and 2014 Supplement)

8 BY adding to  
9 Article – Education  
10 Section 18–19C–01 through 18–19C–08 to be under the new subtitle “Subtitle 19C.  
11 Maryland College Savings Account Plan”  
12 Annotated Code of Maryland  
13 (2014 Replacement Volume and 2014 Supplement)

14 BY repealing and reenacting, without amendments,  
15 Article – Tax – General  
16 Section 10–205(a), 10–207(a), and 10–208(a)  
17 Annotated Code of Maryland  
18 (2010 Replacement Volume and 2014 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article – Tax – General  
21 Section 10–205(h), 10–207(s), and 10–208(o)  
22 Annotated Code of Maryland  
23 (2010 Replacement Volume and 2014 Supplement)

24 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
25 That the Laws of Maryland read as follows:

26 **Article – Education**

27 18–1901.

28 (a) In this subtitle the following words have the meanings indicated.

29 (b) “Account holder” means an individual who:

30 (1) Makes or undertakes the obligation to make advance payments of  
31 qualified higher education expenses as provided under a prepaid contract; and

32 (2) Except as provided in § 18–1909(b) of this subtitle, is a resident of  
33 Maryland or of the District of Columbia at the time that the account holder enters into a  
34 prepaid contract.

35 (c) “Board” means the College Savings Plans of Maryland Board.

1 (d) “Broker–Dealer Plan” means the Maryland Broker–Dealer College  
2 Investment Plan established under Subtitle 19B of this title.

3 (e) “Current prepaid contract obligations” means the scheduled payments due for  
4 the next fiscal year under existing prepaid contracts.

5 (f) “Eligible institution of higher education” means an institution of higher  
6 education that:

7 (1) Offers an associate, bachelor, or graduate degree program; and

8 (2) Is eligible to participate in federal financial aid programs.

9 (g) “Market value of program assets” means the amount of cash and cash  
10 equivalents held by the Trust plus the fair market value of other assets of the Trust.

11 (h) “Plan” means the Maryland College Investment Plan established under  
12 Subtitle 19A of this title.

13 (i) “Prepaid contract” means a contract between the Board and an account holder  
14 under the provisions of this subtitle for the advance payment of qualified higher education  
15 expenses by the account holder for a qualified beneficiary to attend an eligible institution  
16 of higher education, if the qualified beneficiary is admitted to the institution.

17 (j) “Program” means the College Savings Plans of Maryland.

18 (k) “Qualified beneficiary” means an individual who:

19 (1) Is eligible to apply advance payments of qualified higher education  
20 expenses to undergraduate or graduate qualified higher education expenses at an eligible  
21 institution of higher education under the provisions of this subtitle; and

22 (2) Except as provided in § 18–1909(b) of this subtitle, is a resident of the  
23 State or of the District of Columbia at the time that the account holder enters into a prepaid  
24 contract.

25 (l) “Qualified higher education expenses” has the meaning stated in § 529(e) of  
26 the Internal Revenue Code.

27 (m) “Qualified state tuition program” has the meaning stated in § 529 of the  
28 Internal Revenue Code.

29 (n) **“SAVINGS ACCOUNT PLAN” MEANS THE MARYLAND COLLEGE SAVINGS**  
30 **ACCOUNT PLAN ESTABLISHED UNDER SUBTITLE 19C OF THIS TITLE.**

1           **(O)** “Trust” means the Maryland Prepaid College Trust established under this  
2 subtitle.

3           ~~[(o)]~~ **(P)**     (1) “Tuition” means the actual tuition and mandatory fees assessed  
4 to all students by an eligible institution of higher education as a condition of enrollment at  
5 the institution.

6                   (2) “Tuition” does not include any fee that is assessed by the institution for  
7 a particular course taken, year of enrollment, academic status, course of study, residency  
8 status, or any other distinguishing factor used by the institution to determine a specific fee.

9 18–1902.1.

10           (a) There is a Program entitled the College Savings Plans of Maryland.

11           (b) The purpose of the Program is to provide for the administration by the Board  
12 of the Maryland Prepaid College Trust, the Maryland College Investment Plan, ~~[and]~~ the  
13 Maryland Broker–Dealer College Investment Plan, **AND THE MARYLAND COLLEGE**  
14 **SAVINGS ACCOUNT PLAN.**

15 18–1904.

16           (b) The Board shall administer:

17                   (1) The Maryland Prepaid College Trust established under this subtitle;

18                   (2) The Maryland College Investment Plan established under Subtitle 19A  
19 of this title; ~~[and]~~

20                   (3) The Maryland Broker–Dealer College Investment Plan established  
21 under Subtitle 19B of this title; **AND**

22                   **(4) THE MARYLAND COLLEGE SAVINGS ACCOUNT PLAN**  
23 **ESTABLISHED UNDER SUBTITLE 19C OF THIS TITLE.**

24 18–1905.

25           (a) The Board, from among the members of the Board, shall elect a chairman and  
26 may elect additional officers that the Board considers necessary.

27           (b) The Board shall determine the times and places of meetings.

28           (c) A member of the Board:

29                   (1) May not receive compensation;

1                   (2)    Is entitled to reimbursement for expenses under the Standard State  
2 Travel Regulations; and

3                   (3)    Shall file a public disclosure of financial interests as required under the  
4 Maryland Public Ethics Law.

5           (d)    (1)    The Board:

6                   (i)    Shall appoint a Program executive director who is in the  
7 executive service of the State Personnel Management System; and

8                   (ii)   May employ additional staff in accordance with the budget.

9                   (2)    (i)    Except for employees described in subparagraph (ii) or (iii) of this  
10 paragraph, the employees shall be skilled service employees subject to the provisions of the  
11 State Personnel and Pensions Article that govern skilled service employees.

12                   (ii)   An employee is in the professional service and subject to the  
13 provisions of the State Personnel and Pensions Article that govern professional service  
14 employees if the position:

15                   1.    Requires knowledge of an advanced type in a field of  
16 science or learning customarily acquired by a course of specialized intellectual instruction  
17 and study; and

18                   2.    Normally requires a professional license, an advanced  
19 degree, or both.

20                   (iii)   An employee is in the management service and subject to the  
21 provisions of the State Personnel and Pensions Article that govern management service  
22 employees if the position:

23                   1.    Primarily involves direct responsibility for the oversight  
24 and management of personnel and financial resources;

25                   2.    Requires the exercise of discretion and independent  
26 judgment; and

27                   3.    Is not in the executive service.

28                   (3)    The Board may retain the services of consultants, administrators, and  
29 other personnel, as necessary, to administer the Trust, the Plan, [or] the Broker-Dealer  
30 Plan, **OR THE SAVINGS ACCOUNT PLAN.**

31                   (4)    The budget for the Program, the Board, and its staff is subject to review  
32 by the General Assembly for information purposes only.

1 (e) The Board may adopt any regulations that the Board considers necessary to  
2 carry out the provisions of this subtitle or Subtitle 19A [or], Subtitle 19B, **OR SUBTITLE**  
3 **19C** of this title.

4 (f) In addition, the Board may:

5 (1) Adopt an official seal;

6 (2) Sue and be sued;

7 (3) Execute contracts and other necessary instruments;

8 (4) Hold, buy, and sell instruments, obligations, securities, and other  
9 investments consistent with its comprehensive investment plan;

10 (5) Enter into agreements with eligible institutions of higher education and  
11 other public or private entities for the promotion, administration, or marketing of the  
12 Program, the Trust, the Plan, [or] the Broker–Dealer Plan, **OR THE SAVINGS ACCOUNT**  
13 **PLAN**;

14 (6) Invest funds not required for immediate disbursement;

15 (7) Solicit and accept gifts, grants, loans, or other aid from any source or  
16 participate in any government program for purposes consistent with this subtitle and  
17 Subtitles 19A [and], 19B, **AND 19C** of this title;

18 (8) Subject to the review of the General Assembly, impose and collect  
19 reasonable administrative fees for any transactions under the Trust, the Plan, [or] the  
20 Broker–Dealer Plan, **OR THE SAVINGS ACCOUNT PLAN** or involving prepaid contracts or  
21 transactions affecting the Program, the Trust, the Plan, [or] the Broker–Dealer Plan, **OR**  
22 **THE SAVINGS ACCOUNT PLAN**;

23 (9) Procure insurance against any loss of assets of the Program, the Trust,  
24 the Plan, [or] the Broker–Dealer Plan, **OR THE SAVINGS ACCOUNT PLAN**;

25 (10) Endorse insurance coverage written exclusively for the purpose of  
26 protecting:

27 (i) A prepaid contract under the Trust and the account holder and  
28 the qualified beneficiary of the contract; [or]

29 (ii) An investment account under the Plan, or the Broker–Dealer  
30 Plan, and the account holder and qualified designated beneficiary of the investment  
31 account; **OR**

1                   **(III) A SAVINGS ACCOUNT UNDER THE SAVINGS ACCOUNT PLAN**  
2 **AND THE ACCOUNT HOLDER AND QUALIFIED DESIGNATED BENEFICIARY OF THE**  
3 **SAVINGS ACCOUNT;**

4                   (11) Designate terms under which money may be withdrawn from the  
5 Program, the Trust, the Plan, [or] the Broker–Dealer Plan, **OR THE SAVINGS ACCOUNT**  
6 **PLAN;**

7                   (12) Establish additional procedural and substantive requirements for  
8 participation in and the administration or marketing of the Program, the Trust, the Plan,  
9 [or] the Broker–Dealer Plan, **OR THE SAVINGS ACCOUNT PLAN;**

10                  (13) Appear on the Board’s own behalf before other boards, commissions, or  
11 other governmental agencies; and

12                  (14) Take any other action that the Board considers appropriate to  
13 implement and administer the Program, the Trust, the Plan, [or] the Broker–Dealer Plan,  
14 **OR THE SAVINGS ACCOUNT PLAN.**

15 18–19A–05.

16                  (a) (1) The debts, contracts, and obligations of the Plan are not the contracts,  
17 debts, or obligations of the State and neither the faith and credit nor taxing power of the  
18 State is pledged directly or indirectly or contingently, morally or otherwise, to the payment  
19 of the debts, contracts, and obligations.

20                  (2) The Board cannot directly or indirectly or contingently obligate, morally  
21 or otherwise, the State to levy or pledge any form of taxation whatsoever for the debts and  
22 obligations of the Plan or to make any appropriation for the payment of the debts and  
23 obligations of the Plan.

24                  (b) Neither the State nor any eligible educational institution shall be liable for  
25 any losses or shortage of funds in the event that the account holder’s investment account  
26 balance is insufficient to meet the tuition requirements of an institution attended by the  
27 qualified designated beneficiary.

28                  (c) Moneys of the Plan may not be considered moneys of the State or deposited in  
29 the State Treasury.

30                  (d) Moneys of the Plan may not be considered moneys of or commingled with the  
31 Maryland Prepaid College Trust.

32                  (e) Moneys of the Plan may not be considered moneys of or commingled with the  
33 Maryland Broker–Dealer College Investment Plan.

1           **(F) MONEY OF THE PLAN MAY NOT BE CONSIDERED MONEY OF OR**  
2 **COMMINGLED WITH THE MARYLAND COLLEGE SAVINGS ACCOUNT PLAN.**

3 18-19B-05.

4           (a) (1) The debts, contracts, and obligations of the Broker-Dealer Plan are not  
5 the contracts, debts, or obligations of the State, and neither the faith and credit nor taxing  
6 power of the State is pledged directly or indirectly or contingently, morally or otherwise, to  
7 the payment of the debts, contracts, and obligations.

8           (2) The Board cannot directly or indirectly or contingently obligate, morally  
9 or otherwise, the State to levy or pledge any form of taxation whatsoever for the debts and  
10 obligations of the Broker-Dealer Plan or to make any appropriation for the payment of the  
11 debts and obligations of the Broker-Dealer Plan.

12           (b) Neither the State nor any eligible educational institution shall be liable for  
13 any losses or shortage of funds in the event that the account holder's investment account  
14 balance is insufficient to meet the tuition requirements of an institution attended by the  
15 qualified designated beneficiary.

16           (c) Moneys of the Broker-Dealer Plan may not be considered moneys of the State  
17 or deposited in the State treasury.

18           (d) Moneys of the Broker-Dealer Plan may not be considered moneys of or  
19 commingled with the Maryland Prepaid College Trust.

20           (e) Moneys of the Broker-Dealer Plan may not be considered moneys of or  
21 commingled with the Maryland College Investment Plan.

22           **(F) MONEY OF THE BROKER-DEALER PLAN MAY NOT BE CONSIDERED**  
23 **MONEY OF OR COMMINGLED WITH THE MARYLAND COLLEGE SAVINGS ACCOUNT**  
24 **PLAN.**

25           **SUBTITLE 19C. MARYLAND COLLEGE SAVINGS ACCOUNT PLAN.**

26 18-19C-01.

27           **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**  
28 **INDICATED.**

29           **(B) "ACCOUNT HOLDER" MEANS THE PERSON WHO ESTABLISHED A**  
30 **SAVINGS ACCOUNT ON BEHALF OF A QUALIFIED DESIGNATED BENEFICIARY.**

31           **(C) "BOARD" MEANS THE COLLEGE SAVINGS PLANS OF MARYLAND BOARD**  
32 **ESTABLISHED UNDER § 18-1904 OF THIS TITLE.**



1 (D) "ELIGIBLE EDUCATIONAL INSTITUTION" HAS THE MEANING STATED IN  
2 § 529 OF THE INTERNAL REVENUE CODE.

3 (E) "QUALIFIED DESIGNATED BENEFICIARY" HAS THE MEANING STATED IN  
4 § 529 OF THE INTERNAL REVENUE CODE.

5 (F) "QUALIFIED HIGHER EDUCATION EXPENSES" HAS THE MEANING  
6 STATED IN § 529 OF THE INTERNAL REVENUE CODE.

7 (G) "QUALIFIED TUITION PROGRAM" HAS THE MEANING STATED IN § 529 OF  
8 THE INTERNAL REVENUE CODE.

9 (H) "SAVINGS ACCOUNT" MEANS AN ACCOUNT ESTABLISHED BY AN  
10 ACCOUNT HOLDER UNDER THIS SUBTITLE ON BEHALF OF A QUALIFIED DESIGNATED  
11 BENEFICIARY FOR THE PURPOSE OF APPLYING DISTRIBUTIONS TOWARD QUALIFIED  
12 HIGHER EDUCATION EXPENSES AT ELIGIBLE EDUCATIONAL INSTITUTIONS.

13 (I) "SAVINGS ACCOUNT PLAN" MEANS THE MARYLAND COLLEGE SAVINGS  
14 ACCOUNT PLAN ESTABLISHED UNDER THIS SUBTITLE.

15 18-19C-02.

16 (A) THE BOARD MAY ESTABLISH A MARYLAND COLLEGE SAVINGS  
17 ACCOUNT PLAN.

18 (B) THE PURPOSE OF THE SAVINGS ACCOUNT PLAN IS TO ALLOW  
19 CONTRIBUTIONS TO A SAVINGS ACCOUNT THAT IS:

20 (1) INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION;  
21 AND

22 (2) ESTABLISHED FOR THE PURPOSES OF MEETING THE QUALIFIED  
23 HIGHER EDUCATION EXPENSES OF THE QUALIFIED DESIGNATED BENEFICIARY OF  
24 THE ACCOUNT.

25 (C) (1) THE BOARD SHALL ADMINISTER, MANAGE, AND PROMOTE THE  
26 SAVINGS ACCOUNT PLAN.

27 (2) THE BOARD SHALL ADMINISTER THE SAVINGS ACCOUNT PLAN IN  
28 COMPLIANCE WITH INTERNAL REVENUE SERVICE STANDARDS FOR QUALIFIED  
29 TUITION PROGRAMS.

1 (D) (1) THE BOARD SHALL ADOPT PROCEDURES RELATING TO:

2 (I) ENROLLMENT PROCEDURES FOR PARTICIPATION IN THE  
3 SAVINGS ACCOUNT PLAN;

4 (II) START-UP COSTS INCURRED BY THE STATE FOR THE  
5 DEVELOPMENT OF THE SAVINGS ACCOUNT PLAN WITH THESE COSTS TO BE  
6 REIMBURSED TO THE STATE BY THE SAVINGS ACCOUNT PLAN;

7 (III) EARLY WITHDRAWALS SO THAT THERE WILL BE NO MAJOR  
8 DETRIMENT TO THE REMAINING ACCOUNT HOLDERS IN THE SAVINGS ACCOUNT  
9 PLAN; AND

10 (IV) TRANSFER OF FUNDS FROM THE SAVINGS ACCOUNT PLAN  
11 TO OTHER QUALIFIED TUITION PROGRAMS AND FROM OTHER QUALIFIED TUITION  
12 PROGRAMS TO THE SAVINGS ACCOUNT PLAN IN ACCORDANCE WITH FEDERAL LAW;  
13 AND

14 (2) THE BOARD SHALL ADOPT ANY OTHER PROCEDURES THAT THE  
15 BOARD CONSIDERS NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SUBTITLE.

16 (E) AT LEAST ANNUALLY THE BOARD SHALL ISSUE TO EACH ACCOUNT  
17 HOLDER A STATEMENT THAT PROVIDES A SEPARATE ACCOUNTING FOR EACH  
18 QUALIFIED DESIGNATED BENEFICIARY PROVIDING THE FOLLOWING INFORMATION  
19 WITH RESPECT TO EACH ACCOUNT:

20 (1) THE BEGINNING BALANCE;

21 (2) CONTRIBUTIONS TO THE ACCOUNT;

22 (3) WITHDRAWALS FROM THE ACCOUNT DURING THE PREVIOUS  
23 YEAR; AND

24 (4) ENDING SAVINGS ACCOUNT VALUE.

25 18-19C-03.

26 (A) (1) THE BOARD MAY ISSUE REQUESTS FOR PROPOSALS TO EVALUATE  
27 AND DETERMINE THE MEANS FOR THE ADMINISTRATION, MANAGEMENT,  
28 PROMOTION, OR MARKETING OF THE SAVINGS ACCOUNT PLAN.

29 (2) THE BOARD SHALL CONSIDER PROPOSALS THAT MEET THE  
30 FOLLOWING CRITERIA:

1           **(I) ABILITY TO DEVELOP AND ADMINISTER SAVINGS ACCOUNTS**  
2 **OF A NATURE SIMILAR TO THE OBJECTIVES OF THE SAVINGS ACCOUNT PLAN;**

3           **(II) ABILITY TO ADMINISTER FINANCIAL PROGRAMS WITH**  
4 **INDIVIDUAL ACCOUNT RECORDS AND REPORTING; AND**

5           **(III) ABILITY TO MARKET THE SAVINGS ACCOUNT PLAN TO**  
6 **MARYLAND RESIDENTS AND, AT THE BOARD'S DISCRETION, NONRESIDENTS OF**  
7 **MARYLAND.**

8           **(B) (1) THE BOARD MAY REQUIRE AN INITIAL ENROLLMENT FEE TO BE**  
9 **USED FOR ADMINISTRATIVE COSTS OF THE SAVINGS ACCOUNT PLAN.**

10           **(2) THE BOARD MAY REQUIRE ADDITIONAL FEES ASSOCIATED WITH**  
11 **THE EXPENSES OF THE SAVINGS ACCOUNT PLAN.**

12           **(C) (1) CONTRIBUTIONS TO THE SAVINGS ACCOUNT PLAN ON BEHALF OF**  
13 **A QUALIFIED DESIGNATED BENEFICIARY MAY NOT EXCEED THE MAXIMUM AMOUNT**  
14 **DETERMINED BY THE BOARD TO BE IN ACCORDANCE WITH § 529 OF THE INTERNAL**  
15 **REVENUE CODE.**

16           **(2) CONTRIBUTIONS TO THE SAVINGS ACCOUNT PLAN MAY BE MADE**  
17 **ONLY IN CASH OR CASH EQUIVALENTS.**

18           **(3) THE SAVINGS ACCOUNT PLAN SHALL INCLUDE PROVISIONS FOR**  
19 **AUTOMATIC CONTRIBUTIONS.**

20           **(D) THE SAVINGS ACCOUNT PLAN:**

21           **(1) MAY BE ESTABLISHED AS ONE OR MORE SEPARATE PLANS AS**  
22 **DETERMINED BY THE BOARD;**

23           **(2) IF ESTABLISHED BY THE BOARD, SHALL BE ESTABLISHED IN THE**  
24 **FORM DETERMINED BY THE BOARD;**

25           **(3) SHALL BE MARKETED AND PROMOTED UNDER THE NAME OR**  
26 **NAMES DETERMINED BY THE BOARD; AND**

27           **(4) MAY BE ESTABLISHED AS ONE OR MORE TRUSTS TO BE DECLARED**  
28 **BY THE BOARD.**

29 **18-19C-04.**

1 (A) A MARYLAND RESIDENT OR, AT THE BOARD'S DISCRETION, A  
2 NONRESIDENT OF MARYLAND MAY PARTICIPATE IN AND BENEFIT FROM THE  
3 SAVINGS ACCOUNT PLAN.

4 (B) DISTRIBUTIONS SHALL BE REQUESTED BY THE ACCOUNT HOLDER.

5 18-19C-05.

6 (A) (1) THE DEBTS, CONTRACTS, AND OBLIGATIONS OF THE SAVINGS  
7 ACCOUNT PLAN ARE NOT THE CONTRACTS, DEBTS, OR OBLIGATIONS OF THE STATE,  
8 AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS  
9 PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY, MORALLY OR OTHERWISE,  
10 TO THE PAYMENT OF THE DEBTS, CONTRACTS, AND OBLIGATIONS.

11 (2) THE BOARD CANNOT DIRECTLY OR INDIRECTLY OR  
12 CONTINGENTLY OBLIGATE, MORALLY OR OTHERWISE, THE STATE TO LEVY OR  
13 PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR THE DEBTS AND OBLIGATIONS  
14 OF THE SAVINGS ACCOUNT PLAN OR TO MAKE ANY APPROPRIATION FOR THE  
15 PAYMENT OF THE DEBTS AND OBLIGATIONS OF THE SAVINGS ACCOUNT PLAN.

16 (B) NEITHER THE STATE NOR ANY ELIGIBLE EDUCATIONAL INSTITUTION  
17 SHALL BE LIABLE FOR ANY LOSSES OR SHORTAGE OF FUNDS IN THE EVENT THAT  
18 THE ACCOUNT HOLDER'S INVESTMENT ACCOUNT BALANCE IS INSUFFICIENT TO  
19 MEET THE TUITION REQUIREMENTS OF AN INSTITUTION ATTENDED BY THE  
20 QUALIFIED DESIGNATED BENEFICIARY.

21 (C) MONEY OF THE SAVINGS ACCOUNT PLAN MAY NOT BE CONSIDERED  
22 MONEY OF THE STATE OR DEPOSITED IN THE STATE TREASURY.

23 (D) MONEY OF THE SAVINGS ACCOUNT PLAN MAY NOT BE CONSIDERED  
24 MONEY OF OR COMMINGLED WITH THE MARYLAND PREPAID COLLEGE TRUST.

25 (E) MONEY OF THE SAVINGS ACCOUNT PLAN MAY NOT BE CONSIDERED  
26 MONEY OF OR COMMINGLED WITH THE MARYLAND COLLEGE INVESTMENT PLAN.

27 (F) MONEY OF THE SAVINGS ACCOUNT PLAN MAY NOT BE CONSIDERED  
28 MONEY OF OR COMMINGLED WITH THE MARYLAND BROKER-DEALER COLLEGE  
29 INVESTMENT PLAN.

30 18-19C-06.

1 (A) THE BOARD, THE SAVINGS ACCOUNT PLAN, AND THE SAVINGS  
2 ACCOUNTS ISSUED UNDER THIS SUBTITLE ARE NOT SUBJECT TO THE PROVISIONS  
3 OF THE INSURANCE ARTICLE.

4 (B) THE ASSETS AND INCOME OF THE MARYLAND COLLEGE SAVINGS  
5 ACCOUNT PLAN ARE EXEMPT FROM STATE AND LOCAL TAXATION.

6 18-19C-07.

7 (A) IN THIS SECTION, “PERSON” DOES NOT INCLUDE THE STATE.

8 (B) A PERSON MAY NOT ATTACH, EXECUTE, GARNISH, OR OTHERWISE SEIZE  
9 ANY CURRENT OR FUTURE BENEFIT UNDER A SAVINGS ACCOUNT OR ANY ASSET OF  
10 THE SAVINGS ACCOUNT PLAN.

11 18-19C-08.

12 (A) THE LEGISLATIVE AUDITOR SHALL AUDIT THE SAVINGS ACCOUNT  
13 PLAN AS PROVIDED UNDER TITLE 2, SUBTITLE 12 OF THE STATE GOVERNMENT  
14 ARTICLE.

15 (B) THE BOARD SHALL OBTAIN AN ANNUAL AUDIT REPORT FROM A SERVICE  
16 PROVIDER WITHIN 6 MONTHS OF THE END OF SUCH SERVICE PROVIDER’S  
17 REPORTING PERIOD.

18 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read  
19 as follows:

20 **Article – Tax – General**

21 10-205.

22 (a) In addition to the modification under § 10-204 of this subtitle, the amounts  
23 under this section are added to the federal adjusted gross income of a resident to determine  
24 Maryland adjusted gross income.

25 (h) (1) (i) In this subsection the following words have the meanings  
26 indicated.

27 (ii) “Account holder” means an account holder as defined in §  
28 18-1901, § 18-19A-01, [or] § 18-19B-01, OR § 18-19C-01 of the Education Article.

29 (iii) “Qualified designated beneficiary” means a qualified designated  
30 beneficiary as defined in § 18-19A-01 [or], § 18-19B-01, OR § 18-19C-01 of the  
31 Education Article.

1 (iv) “Qualified beneficiary” has the meaning stated in § 18–1901 of  
2 the Education Article.

3 (v) “Qualified higher education expenses” has the meaning stated in  
4 § 529 of the Internal Revenue Code.

5 (2) The addition under subsection (a) of this section includes the amount  
6 of:

7 (i) any refund received in the taxable year by an account holder  
8 under a prepaid contract in accordance with the Maryland Prepaid College Trust; or

9 (ii) any distribution received in the taxable year **THAT IS NOT USED**  
10 **ON BEHALF OF THE QUALIFIED BENEFICIARY OR QUALIFIED DESIGNATED**  
11 **BENEFICIARY FOR HIGHER EDUCATION EXPENSES** by an account holder:

12 1. under a prepaid contract in accordance with the Maryland  
13 Prepaid College Trust [or];

14 2. under an investment account in accordance with the  
15 Maryland College Investment Plan or the Maryland Broker–Dealer College Investment  
16 Plan [that is not used on behalf of the qualified beneficiary or qualified designated  
17 beneficiary for qualified higher education expenses]; **OR**

18 3. **UNDER A SAVINGS ACCOUNT IN ACCORDANCE WITH**  
19 **THE MARYLAND COLLEGE SAVINGS ACCOUNT PLAN.**

20 (3) The amount of the addition required under this subsection shall be  
21 reduced by any amount included in the individual’s federal adjusted gross income as a  
22 result of the refund or distribution.

23 (4) The cumulative amount of the addition under this subsection for the  
24 taxable year and all prior taxable years may not exceed the cumulative amount allowed as  
25 a subtraction:

26 (i) under § 10–208(n) of this subtitle for the taxable year and all  
27 prior taxable years for the account holder’s payments to the prepaid contract under which  
28 the refund or distribution is received; or

29 (ii) under § 10–208(o) of this subtitle for the taxable year and all  
30 prior taxable years for contributions made by an account holder to an investment account  
31 under which the distribution is received.

32 10–207.

1 (a) To the extent included in federal adjusted gross income, the amounts under  
2 this section are subtracted from the federal adjusted gross income of a resident to determine  
3 Maryland adjusted gross income.

4 (s) (1) (i) In this subsection the following words have the meanings  
5 indicated.

6 (ii) “Qualified beneficiary” has the meaning stated in § 18–1901 of  
7 the Education Article.

8 (iii) “Qualified designated beneficiary” means a qualified designated  
9 beneficiary as defined in § 18–19A–01 [or], § 18–19B–01, **OR § 18–19C–01** of the  
10 Education Article.

11 (iv) “Qualified higher education expenses” has the meaning stated in  
12 § 529 of the Internal Revenue Code.

13 (2) Except as provided in paragraph (3) of this subsection, the subtraction  
14 under subsection (a) of this section includes any amount included in federal adjusted gross  
15 income as a result of a distribution to:

16 (i) a qualified beneficiary pursuant to a prepaid contract under the  
17 Maryland Prepaid College Trust;

18 (ii) a qualified designated beneficiary from an investment account  
19 under the Maryland College Investment Plan; [or]

20 (iii) a qualified designated beneficiary from an investment account  
21 under the Maryland Broker–Dealer College Investment Plan; **OR**

22 **(IV) A QUALIFIED DESIGNATED BENEFICIARY FROM A SAVINGS**  
23 **ACCOUNT UNDER THE MARYLAND COLLEGE SAVINGS ACCOUNT PLAN.**

24 (3) The subtraction under paragraph (2) of this subsection does not apply  
25 to:

26 (i) a refund under the Maryland Prepaid College Trust; or

27 (ii) a distribution that is not used by the qualified beneficiary or  
28 qualified designated beneficiary for qualified higher education expenses.

29 10–208.

30 (a) In addition to the modification under § 10–207 of this subtitle, the amounts  
31 under this section are subtracted from the federal adjusted gross income of a resident to  
32 determine Maryland adjusted gross income.

1 (o) (1) (i) In this subsection the following words have the meanings  
2 indicated.

3 (ii) **“ACCOUNT” MEANS AN INVESTMENT ACCOUNT AS DEFINED**  
4 **IN § 18-19A-01 OR § 18-19B-01 OF THE EDUCATION ARTICLE OR SAVINGS**  
5 **ACCOUNT AS DEFINED IN § 18-19C-01 OF THE EDUCATION ARTICLE.**

6 (iii) **“Account holder”** means an account holder as defined in §  
7 18-19A-01 [or], § 18-19B-01, **OR § 18-19C-01** of the Education Article.

8 [(iii) **“Investment account”** means an investment account as defined  
9 in § 18-19A-01 or § 18-19B-01 of the Education Article.]

10 (iv) **“Qualified designated beneficiary”** means a qualified designated  
11 beneficiary as defined in § 18-19A-01 [or], § 18-19B-01, **OR § 18-19C-01** of the  
12 Education Article.

13 (2) Subject to the limitation under paragraph (3) of this subsection, the  
14 subtraction under subsection (a) of this section includes the amount contributed by an  
15 account holder during the taxable year to an [investment] account.

16 (3) (i) Subject to paragraph (4) of this subsection, for each account  
17 holder for all [investment] accounts maintained in the Maryland College Investment Plan  
18 [and], the Maryland Broker-Dealer College Investment Plan, **AND THE MARYLAND**  
19 **COLLEGE SAVINGS ACCOUNT PLAN** for the same qualified designated beneficiary, the  
20 subtraction under paragraph (2) of this subsection may not exceed \$2,500 for any taxable  
21 year per qualified designated beneficiary.

22 (ii) For purposes of the limitation under this paragraph, each spouse  
23 on a joint return shall be treated separately.

24 (4) Subject to the \$2,500 annual limitation for each account holder for each  
25 qualified designated beneficiary, the amount disallowed as a subtraction under this  
26 subsection for any taxable year as a result of the limitation under paragraph (3) of this  
27 subsection may be carried over until used to the next 10 succeeding taxable years as a  
28 subtraction.

29 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be  
30 applicable to all taxable years beginning after December 31, 2014.

31 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
32 1, 2015.