

# HOUSE BILL 1711

Q3, F5

8lr3568

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By: **Delegate Kipke**

Introduced and read first time: February 16, 2018

Assigned to: Rules and Executive Nominations

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification for Higher Education Expenses and**  
3 **ABLE Account Contributions – Annual Limitation**

4 FOR the purpose of increasing the maximum amount allowed as a subtraction modification  
5 under the Maryland income tax for certain payments or contributions made during  
6 a taxable year by an account holder or contributor under a Maryland Prepaid College  
7 Trust contract, a Maryland College Investment Plan, or an ABLE account; providing  
8 for the application of this Act; and generally relating to a subtraction modification  
9 for payments or contributions under a Maryland Prepaid College Trust contract, a  
10 Maryland College Investment Plan, or an ABLE account.

11 BY repealing and reenacting, without amendments,  
12 Article – Tax – General  
13 Section 10–208(a)  
14 Annotated Code of Maryland  
15 (2016 Replacement Volume and 2017 Supplement)

16 BY repealing and reenacting, with amendments,  
17 Article – Tax – General  
18 Section 10–208(n), (o), and (v)  
19 Annotated Code of Maryland  
20 (2016 Replacement Volume and 2017 Supplement)

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

23 **Article – Tax – General**

24 10–208.

25 (a) In addition to the modification under § 10–207 of this subtitle, the amounts

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 under this section are subtracted from the federal adjusted gross income of a resident to  
2 determine Maryland adjusted gross income.

3 (n) (1) (i) In this subsection the following words have the meanings  
4 indicated.

5 (ii) “Account holder” has the meaning stated in § 18–1901 of the  
6 Education Article.

7 (iii) “Contributor” means an individual who contributes funds to a  
8 Maryland Prepaid College Trust account under Title 18, Subtitle 19 of the Education  
9 Article.

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

12 (2) The subtraction under subsection (a) of this section includes the amount  
13 of advance payments of qualified higher education expenses made by an account holder or  
14 a contributor during the taxable year as provided under a prepaid contract in accordance  
15 with the Maryland Prepaid College Trust.

16 (3) Subject to paragraph (4) of this subsection, for each prepaid contract,  
17 the subtraction under paragraph (2) of this subsection may not exceed [~~\$2,500~~] **\$4,000** for  
18 any taxable year.

19 (4) The amount disallowed as a subtraction under this subsection for any  
20 taxable year as a result of the limitation under paragraph (3) of this subsection shall be  
21 treated as having been made in the next succeeding taxable year and, subject to the  
22 [~~\$2,500~~] **\$4,000** annual limitation for each prepaid contract, may be carried over to  
23 succeeding taxable years until the full amount of the advance payments has been allowed  
24 as a subtraction.

25 (o) (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 18–19A–01 or § 18–19B–01 of the Education Article.

29 (iii) “Contributor” means an individual who contributes funds to a  
30 Maryland College Investment Plan or Broker–Dealer College Investment Plan account  
31 under Title 18, Subtitle 19A or Subtitle 19B of the Education Article.

32 (iv) “Investment account” means an investment account as defined  
33 in § 18–19A–01 or § 18–19B–01 of the Education Article.

34 (v) “Qualified designated beneficiary” means a qualified designated  
35 beneficiary as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

1           (2)   (i)    Except as provided in subparagraph (ii) of this paragraph and  
2 subject to the limitation under paragraph (3) of this subsection, the subtraction under  
3 subsection (a) of this section includes the amount contributed by an account holder or a  
4 contributor during the taxable year to an investment account.

5           (ii)   The subtraction under subparagraph (i) of this paragraph may  
6 not be taken if the account holder received a State contribution under § 18–19A–04.1 of the  
7 Education Article during the taxable year.

8           (3)   (i)    Subject to paragraph (4) of this subsection, for each account  
9 holder or contributor for all investment accounts maintained in the Maryland College  
10 Investment Plan and the Maryland Broker–Dealer College Investment Plan for the same  
11 qualified designated beneficiary, the subtraction under paragraph (2) of this subsection  
12 may not exceed [~~\$2,500~~] **\$4,000** for any taxable year per qualified designated beneficiary.

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

15           (4)   Subject to the [~~\$2,500~~] **\$4,000** annual limitation for each account  
16 holder or contributor for each qualified designated beneficiary, the amount disallowed as a  
17 subtraction under this subsection for any taxable year as a result of the limitation under  
18 paragraph (3) of this subsection may be carried over until used to the next 10 succeeding  
19 taxable years as a subtraction.

20           (v)   (1)   (i)    In this subsection the following words have the meanings  
21 indicated.

22           (ii)   “ABLE account contributor” means an individual who  
23 contributes money to an ABLE account as defined in § 18–19C–01 of the Education Article.

24           (iii)  “Designated beneficiary” means a designated beneficiary as  
25 defined in § 18–19C–01 of the Education Article.

26           (iv)   “Qualified disability expenses” has the meaning stated in §  
27 18–19C–01 of the Education Article.

28           (2)   Subject to the limitation under paragraph (3) of this subsection, the  
29 subtraction under subsection (a) of this section includes the amount contributed by an  
30 ABLE account contributor during the taxable year to an ABLE account under the Maryland  
31 ABLE Program.

32           (3)   (i)    Subject to paragraph (4) of this subsection, for each ABLE  
33 account contributor under the Maryland ABLE Program, the subtraction under paragraph  
34 (2) of this subsection may not exceed [~~\$2,500~~] **\$4,000** for any taxable year per qualified  
35 designated beneficiary.

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

3 (4) Subject to the ~~[\$2,500]~~ **\$4,000** annual limitation for each ABLE  
4 account contributor per qualified designated beneficiary, any amount disallowed as a  
5 subtraction under this subsection for any taxable year as a result of the limitation under  
6 paragraph (3) of this subsection may be carried over until used to the next 10 succeeding  
7 taxable years as a subtraction.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
9 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.