

**Department of Legislative Services**  
Maryland General Assembly  
1999 Session

**FISCAL NOTE**

House Bill 1177 (Delegate Kopp)

Appropriations

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**Maryland Higher Education Investment Program - Participation by District of  
Columbia Residents**

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This bill allows District of Columbia residents to participate in the Maryland Higher Education Investment Program (MHEIP). Under current law, either the purchaser or the qualified beneficiary must be a Maryland resident at the time that the purchaser enters into the higher education investment contract.

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**Fiscal Summary**

**State Effect:** None. The bill would not materially affect State finances.

**Local Effect:** None.

**Small Business Effect:** None.

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**Fiscal Analysis**

**Background:** MHEIP is an independent State agency established in 1997 to enhance the accessibility and affordability of college education by providing for the prepayment of projected in-State tuition and mandatory fees at Maryland public colleges. Parents, grandparents, and other interested persons may purchase a contract based on current tuition and fee amounts. The program offers several tuition plans and payment options. If the beneficiary chooses to attend a private or an out-of-state college, the program will pay the weighted average of tuition and mandatory fees of the Maryland public colleges.

Legislation enacted in 1998 established two tax incentives for Maryland residents participating in MHEIP. First, purchasers may deduct up to \$2,500 from their Maryland

income in years they pay into the program. Second, earnings are tax-deferred while in the program, and are exempt from Maryland taxes when the contract benefits are used for qualified higher education expenses. For federal tax purposes, earnings are taxed at the beneficiary's rate when the contract benefits are used for qualified higher education expenses.

**State Effect:** The number of District of Columbia residents who would apply to and/or enroll in MHEIP is not known. Additional applicants and enrollees would mean more application fee revenue (currently, \$75 each application) and more money to invest for MHEIP. The number of new participants is not expected to result in a significant increase in operating expenses or the need for additional staff. MHEIP advises that it already markets in the Washington, D.C. area.

The bill would not affect State tax revenues because District of Columbia residents do not pay Maryland income taxes.

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**Information Source(s):** Maryland Higher Education Commission, Maryland Higher Education Investment Program, Department of Legislative Services

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