

BY: Budget and Taxation Committee

AMENDMENTS TO SENATE BILL NO. 383

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, strike “Maryland Higher Education Investment Program” and substitute “Qualified Tuition Programs”; strike beginning with “prohibiting” in line 3 down through “Board” in line 21 and substitute “altering a certain addition modification under the Maryland income tax for certain distributions from certain qualified tuition programs; altering certain subtraction modifications under the Maryland income tax for certain contributions to certain qualified tuition programs; repealing a certain Maryland income tax subtraction modification made obsolete as a result of certain changes to the federal income tax treatment of qualified tuition programs; providing for the application of this Act; and generally relating to the income tax treatment of contributions to and distributions from certain qualified tuition programs”.

AMENDMENT NO. 2

On page 1, strike in their entirety lines 22 through 26, inclusive; and after line 31 insert:

“BY repealing

Article - Tax - General

Section 10-207(s)

Annotated Code of Maryland

(1997 Replacement Volume and 2001 Supplement)”.

On page 2, strike in their entirety lines 3 through 32, inclusive.

AMENDMENT NO. 3

On page 3, in line 3, strike “(i)”; strike beginning with the first “the” in line 3 down through “Code” in line 10 and substitute “, “QUALIFIED TUITION PROGRAM” HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE”; strike beginning with the colon in line 12 down through “BENEFICIARY” in line 31 and substitute “ANY DISTRIBUTION FROM A

(Over)

QUALIFIED TUITION PROGRAM OTHER THAN:

(I) A DISTRIBUTION FOR QUALIFIED HIGHER EDUCATION EXPENSES, WITHIN THE MEANING OF § 529(C)(3)(B) OF THE INTERNAL REVENUE CODE; OR

(II) A DISTRIBUTION THAT IS A ROLLOVER OR CHANGE IN DESIGNATED BENEFICIARIES, WITHIN THE MEANING OF § 529(C)(3)(C) OF THE INTERNAL REVENUE CODE”;

in lines 32 and 35, in each instance, strike the brackets; in lines 32 and 35, strike “(4)” and “(5)”, respectively; and in line 36, after “exceed” insert “THE SUM OF:

(I)”.

On pages 3 and 4, strike beginning with the colon in line 37 on page 3 through “(i)” in line 1 on page 4.

On page 4, strike beginning with “for” in line 2 down through “; or” in line 3 and substitute “FOR CONTRIBUTIONS TO A QUALIFIED PREPAID TUITION PROGRAM; AND”; in line 4, after “(ii)” insert “THE CUMULATIVE AMOUNT ALLOWED AS A SUBTRACTION”; and strike beginning with “for” in line 5 down through “received” in line 6 and substitute “FOR CONTRIBUTIONS TO A QUALIFIED HIGHER EDUCATION INVESTMENT PROGRAM”.

AMENDMENT NO. 4

On page 4, after line 6, insert:

“10-207.

- [s] (1) (i) In this subsection the following words have the meanings indicated.
- (ii) "Qualified beneficiary" has the meaning stated in § 18-1901 of the Education Article.
- (iii) "Qualified designated beneficiary" has the meaning stated in § 18-19A-01 of the Education Article.
- (iv) "Qualified higher education expenses" has the meaning stated in § 529 of the Internal Revenue Code.

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

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

(ii) a qualified designated beneficiary from an investment account under the Maryland College Investment Plan.

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

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

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

AMENDMENT NO. 5

On page 4, strike in their entirety lines 10 and 11 and substitute:

“(II) “CONTRIBUTOR” MEANS A CONTRIBUTOR WITHIN THE MEANING OF § 529 OF THE INTERNAL REVENUE CODE.

(III) “DESIGNATED BENEFICIARY” HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE.”;

in line 12, strike “(iii)” and substitute “(IV)”; after line 13, insert:

“(V) “QUALIFIED PREPAID TUITION PROGRAM” MEANS A QUALIFIED TUITION PROGRAM UNDER WHICH AN INDIVIDUAL MAY PURCHASE TUITION CREDITS OR CERTIFICATES ON BEHALF OF A DESIGNATED BENEFICIARY

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WHICH ENTITLE THE DESIGNATED BENEFICIARY TO THE WAIVER OR PAYMENT OF QUALIFIED HIGHER EDUCATION EXPENSES OF THE DESIGNATED BENEFICIARY.

(VI) “QUALIFIED TUITION PROGRAM” HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE.”;

strike beginning with “advance” in line 15 down through “Trust” in line 17 and substitute “CONTRIBUTIONS MADE BY A CONTRIBUTOR TO A QUALIFIED PREPAID TUITION PROGRAM ON BEHALF OF A DESIGNATED BENEFICIARY”; in line 19, after “ROLLOVER” insert “OR CHANGE IN DESIGNATED BENEFICIARIES”; strike beginning with “FROM” in line 20 down through “CODE” in line 21; in line 22, strike “(I)”; in lines 22 and 23, strike “for each prepaid contract” and substitute “FOR EACH CONTRIBUTOR FOR EACH DESIGNATED BENEFICIARY”; strike in their entirety lines 25 through 26, inclusive; in line 30, strike “for each prepaid contract”; and in line 31, strike “advance payments” and substitute “CONTRIBUTIONS”.

AMENDMENT NO. 6

On page 4, strike beginning with “(1)” in line 33 down through “Article.” in line 35 and substitute:

“(1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(II) “CONTRIBUTOR” MEANS A CONTRIBUTOR WITHIN THE MEANING OF § 529 OF THE INTERNAL REVENUE CODE.

(III) “DESIGNATED BENEFICIARY” HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE.

(IV) “QUALIFIED HIGHER EDUCATION EXPENSES” HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE.

(V) “QUALIFIED HIGHER EDUCATION INVESTMENT PROGRAM” MEANS A QUALIFIED TUITION PROGRAM UNDER WHICH AN INDIVIDUAL MAY MAKE CONTRIBUTIONS TO AN ACCOUNT WHICH IS ESTABLISHED FOR THE PURPOSE OF

MEETING THE QUALIFIED HIGHER EDUCATION EXPENSES OF THE DESIGNATED BENEFICIARY OF THE ACCOUNT.

(VI) “QUALIFIED TUITION PROGRAM” HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE.”;

strike beginning with “contributed” in line 37 down through “account” in line 38 and substitute “OF CONTRIBUTIONS MADE BY A CONTRIBUTOR TO A QUALIFIED HIGHER EDUCATION INVESTMENT PROGRAM ON BEHALF OF A DESIGNATED BENEFICIARY”.

On page 5, in line 2, after “ROLLOVER” insert “OR CHANGE IN DESIGNATED BENEFICIARIES”; strike beginning with “FROM” in line 3 down through “CODE” in line 4; in line 5, strike “(I)”; in lines 5 and 6, strike “for each investment account” and substitute “FOR EACH CONTRIBUTOR FOR EACH DESIGNATED BENEFICIARY”; strike in their entirety lines 8 and 9; and in line 13, strike “for each investment account”.

AMENDMENT NO. 7

On page 5, strike in their entirety lines 15 through 23, inclusive; in line 24, strike “3.” and substitute “2.”; and in line 25, after “2002” insert “and shall be applicable to all taxable years beginning after December 31, 2001”.