

SENATE BILL 374

Q3, F5

6lr2830
CF HB 335

By: ~~Senator Serafini~~ Senators Serafini, Currie, DeGrange, Eckardt, Edwards, Ferguson, Guzzone, Kasemeyer, King, Madaleno, Manno, McFadden, and Peters

Introduced and read first time: January 28, 2016
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 18, 2016

CHAPTER _____

1 AN ACT concerning

2 **Income Tax Subtraction Modification – College Savings Plans – Contributions**

3 FOR the purpose of providing a subtraction modification under the Maryland income tax
4 for contributions made by certain individuals to certain college savings accounts
5 subject to certain limitations; defining certain terms; providing for the application of
6 this Act; and generally relating to a subtraction modification under the Maryland
7 income tax for contributions made to certain college savings accounts.

8 BY repealing and reenacting, without amendments,
9 Article – Tax – General
10 Section 10–208(a)
11 Annotated Code of Maryland
12 (2010 Replacement Volume and 2015 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – Tax – General
15 Section 10–208(n) and (o)
16 Annotated Code of Maryland
17 (2010 Replacement Volume and 2015 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 **Article – Tax – General**

2 10–208.

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

6 (n) (1) (i) In this subsection the following words have the meanings
7 indicated.

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

10 (iii) **“CONTRIBUTOR” MEANS AN INDIVIDUAL WHO**
11 **CONTRIBUTES FUNDS TO A MARYLAND PREPAID COLLEGE TRUST ACCOUNT UNDER**
12 **TITLE 18, SUBTITLE 19 OF THE EDUCATION ARTICLE.**

13 (IV) “Qualified higher education expenses” has the meaning stated in
14 § 529 of the Internal Revenue Code.

15 (2) The subtraction under subsection (a) of this section includes the amount
16 of advance payments of qualified higher education expenses made by an account holder **OR**
17 **A CONTRIBUTOR** during the taxable year as provided under a prepaid contract in
18 accordance with the Maryland Prepaid College Trust.

19 (3) Subject to paragraph (4) of this subsection, for each prepaid contract,
20 the subtraction under paragraph (2) of this subsection may not exceed \$2,500 for any
21 taxable year.

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

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

29 (ii) “Account holder” means an account holder as defined in §
30 18–19A–01 or § 18–19B–01 of the Education Article.

31 (iii) **“CONTRIBUTOR” MEANS AN INDIVIDUAL WHO**
32 **CONTRIBUTES FUNDS TO A MARYLAND COLLEGE INVESTMENT PLAN OR**
33 **BROKER–DEALER COLLEGE INVESTMENT PLAN ACCOUNT UNDER TITLE 18,**
34 **SUBTITLE 19A OR SUBTITLE 19B OF THE EDUCATION ARTICLE.**

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

3 [(iv)] (V) “Qualified designated beneficiary” means a qualified
4 designated beneficiary as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

5 (2) Subject to the limitation under paragraph (3) of this subsection, the
6 subtraction under subsection (a) of this section includes the amount contributed by an
7 account holder **OR A CONTRIBUTOR** during the taxable year to an investment account.

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 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 annual limitation for each account holder **OR**
16 **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 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
21 1, 2016, and shall be applicable to all taxable years beginning after December 31, 2015.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.