

## Chapter 197

**(Senate Bill 374)**

AN ACT concerning

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

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

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

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

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

**Article – Tax – General**

10–208.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) (i) Subject to paragraph (4) of this subsection, for each account holder **OR CONTRIBUTOR** for all investment accounts maintained in the Maryland College Investment Plan and the Maryland Broker–Dealer College Investment Plan for the same qualified designated beneficiary, the subtraction under paragraph (2) of this subsection may not exceed \$2,500 for any taxable year per qualified designated beneficiary.

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2016, and shall be applicable to all taxable years beginning after December 31, 2015.

**Approved by the Governor, April 26, 2016.**