

# HOUSE BILL 644

Q3, F5

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By: **Delegates Lam, Ebersole, and Turner**

Introduced and read first time: January 29, 2018

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **State Income Tax – Subtraction Modification – Elementary and Secondary**  
3 **Education Expenses**

4 FOR the purpose of excluding from a subtraction modification certain contributions to and  
5 distributions from a certain investment plan that is used for certain elementary and  
6 secondary education expenses; providing for the application of this Act; and generally  
7 relating to income tax subtraction modifications for certain elementary and  
8 secondary education expenses.

9 BY repealing and reenacting, without amendments,  
10 Article – Tax – General  
11 Section 10–207(a) and 10–208(a)  
12 Annotated Code of Maryland  
13 (2016 Replacement Volume and 2017 Supplement)

14 BY repealing and reenacting, with amendments,  
15 Article – Tax – General  
16 Section 10–207(s) and 10–208(o)  
17 Annotated Code of Maryland  
18 (2016 Replacement Volume and 2017 Supplement)

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

21 **Article – Tax – General**

22 10–207.

23 (a) To the extent included in federal adjusted gross income, the amounts under  
24 this section are subtracted from the federal adjusted gross income of a resident to determine  
25 Maryland adjusted gross income.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 (ii) “Qualified beneficiary” has the meaning stated in § 18–1901 of  
4 the Education Article.

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

7 (iv) “Qualified higher education expenses” has the meaning stated in  
8 § 529 of the Internal Revenue Code.

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

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

14 (ii) a qualified designated beneficiary from an investment account  
15 under the Maryland College Investment Plan; or

16 (iii) a qualified designated beneficiary from an investment account  
17 under the Maryland Broker–Dealer College Investment Plan.

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

20 (i) a refund under the Maryland Prepaid College Trust; [or]

21 (ii) a distribution that is not used by the qualified beneficiary or  
22 qualified designated beneficiary for qualified higher education expenses; **OR**

23 **(III) A DISTRIBUTION THAT IS USED FOR ELEMENTARY OR**  
24 **SECONDARY EDUCATION EXPENSES AS DESCRIBED IN § 529(C)(7) OF THE INTERNAL**  
25 **REVENUE CODE.**

26 10–208.

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

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

1 (ii) "Account holder" means an account holder as defined in §  
2 18-19A-01 or § 18-19B-01 of the Education Article.

3 (iii) "Contributor" means an individual who contributes funds to a  
4 Maryland College Investment Plan or Broker-Dealer College Investment Plan account  
5 under Title 18, Subtitle 19A or Subtitle 19B of the Education Article.

6 (iv) "Investment account" means an investment account as defined  
7 in § 18-19A-01 or § 18-19B-01 of the Education Article.

8 (v) "Qualified designated beneficiary" means a qualified designated  
9 beneficiary as defined in § 18-19A-01 or § 18-19B-01 of the Education Article.

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

14 (ii) The subtraction under subparagraph (i) of this paragraph may  
15 not be taken if:

16 1. the account holder received a State contribution under §  
17 18-19A-04.1 of the Education Article during the taxable year; OR

18 2. **THE FUNDS CONTRIBUTED TO A MARYLAND COLLEGE**  
19 **INVESTMENT PLAN ARE USED FOR ELEMENTARY OR SECONDARY EDUCATION**  
20 **EXPENSES AS DESCRIBED IN § 529(C)(7) OF THE INTERNAL REVENUE CODE.**

21 (3) (i) Subject to paragraph (4) of this subsection, for each account  
22 holder or contributor for all investment accounts maintained in the Maryland College  
23 Investment Plan and the Maryland Broker-Dealer College Investment Plan for the same  
24 qualified designated beneficiary, the subtraction under paragraph (2) of this subsection  
25 may not exceed \$2,500 for any taxable year per qualified designated beneficiary.

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

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

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
34 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.