

HOUSE BILL 1663

Q3, F5

8lr3089

By: **Delegates Malone and Hornberger**

Introduced and read first time: February 9, 2018

Assigned to: Ways and Means and Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification for Qualified Higher Education**
3 **Expenses – Annual Limitation**

4 FOR the purpose of increasing the maximum amount allowed in a taxable year as a
5 subtraction modification under the Maryland income tax for advance payments of
6 certain qualified higher education expenses made by an account holder or a
7 contributor under a Maryland Prepaid College Trust contract; providing for the
8 application of this Act; and generally relating to a subtraction modification for
9 qualified higher education expenses.

10 BY repealing and reenacting, without amendments,
11 Article – Tax – General
12 Section 10–208(a)
13 Annotated Code of Maryland
14 (2016 Replacement Volume and 2017 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Tax – General
17 Section 10–208(n)
18 Annotated Code of Maryland
19 (2016 Replacement Volume and 2017 Supplement)

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

22 **Article – Tax – General**

23 10–208.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

8 (iii) “Contributor” means an individual who contributes funds to a
9 Maryland Prepaid College Trust account under Title 18, Subtitle 19 of the Education
10 Article.

11 (iv) “Qualified higher education expenses” has the meaning stated in
12 § 529 of the Internal Revenue Code.

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

17 (3) Subject to paragraph (4) of this subsection, for each prepaid contract,
18 the subtraction under paragraph (2) of this subsection may not exceed **[\$2,500] \$5,000** for
19 any taxable year.

20 (4) The amount disallowed as a subtraction under this subsection for any
21 taxable year as a result of the limitation under paragraph (3) of this subsection shall be
22 treated as having been made in the next succeeding taxable year and, subject to the
23 **[\$2,500] \$5,000** annual limitation for each prepaid contract, may be carried over to
24 succeeding taxable years until the full amount of the advance payments has been allowed
25 as a subtraction.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
27 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.