

HOUSE BILL 525

F5, Q3

9lr1697
CF 9lr0712

By: **Delegates Ebersole, Atterbeary, Cain, Ivey, Jackson, Love, Palakovich Carr, Shetty, Smith, Terrasa, Turner, Wilkins, and P. Young**

Introduced and read first time: February 4, 2019

Assigned to: Ways and Means

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 elementary and secondary
8 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 2018 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 2018 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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Maryland adjusted gross income.

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

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

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

8 (iv) “Qualified higher education expenses” has the meaning stated in
9 § 529 of the Internal Revenue Code.

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

13 (i) a qualified beneficiary pursuant to a prepaid contract under the
14 Maryland Senator Edward J. Kasemeyer Prepaid College Trust;

15 (ii) a qualified designated beneficiary from an investment account
16 under the Maryland Senator Edward J. Kasemeyer College Investment Plan; or

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

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

21 (i) a refund under the Maryland Senator Edward J. Kasemeyer
22 Prepaid College Trust; [or]

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

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

28 10–208.

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

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

1 indicated.

2 (ii) "Account holder" means an account holder as defined in §
3 18-19A-01 or § 18-19B-01 of the Education Article.

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

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

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

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

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

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

20 2. **THE FUNDS CONTRIBUTED TO A MARYLAND SENATOR**
21 **EDWARD J. KASEMEYER COLLEGE INVESTMENT PLAN ARE USED FOR ELEMENTARY**
22 **OR SECONDARY EDUCATION EXPENSES AS DESCRIBED IN § 529(C)(7) OF THE**
23 **INTERNAL REVENUE CODE.**

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

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

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

1 taxable years as a subtraction.

2 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
3 1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018.