

HOUSE BILL 1106

Q3, F5

3lr2185
CF 3lr3113

By: **Delegate Alston**

Introduced and read first time: February 10, 2023

Assigned to: Ways and Means and Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland College Investment Plan – Subtraction Modification Amounts and**
3 **Eligibility and Establishment of Accounts**

4 FOR the purpose of altering eligibility for and the calculation of a certain subtraction
5 modification under the Maryland income tax for certain contributions to College
6 Investment Plans established under Section 529 of the Internal Revenue Code;
7 limiting the subtraction modification to contributions made for a certain number of
8 accounts under certain circumstances; requiring the Maryland 529 Board to
9 establish a certain maximum contribution amount subject to a certain limitation;
10 requiring the State to establish a certain investment account on behalf of each ward
11 of the State; requiring the State to make certain contributions to the account;
12 requiring a certain account balance to be transferred to the General Fund of the
13 State under a certain circumstance; prohibiting the inclusion of the balance in or
14 distribution from an investment account to determine eligibility for State benefits;
15 and generally relating to college investment accounts.

16 BY repealing and reenacting, without amendments,
17 Article – Tax – General
18 Section 10–208(a)
19 Annotated Code of Maryland
20 (2022 Replacement Volume)

21 BY repealing and reenacting, with amendments,
22 Article – Tax – General
23 Section 10–208(o)
24 Annotated Code of Maryland
25 (2022 Replacement Volume)

26 BY repealing and reenacting, with amendments,
27 Article – Education
28 Section 18–19A–03(c)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland
2 (2022 Replacement Volume)

3 BY repealing and reenacting, without amendments,
4 Article – Education
5 Section 18–19A–03(d)
6 Annotated Code of Maryland
7 (2022 Replacement Volume)

8 BY adding to
9 Article – Education
10 Section 18–19A–04.2 and 18–19A–08
11 Annotated Code of Maryland
12 (2022 Replacement Volume)

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

15 **Article – Tax – General**

16 10–208.

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

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

22 (ii) “Account holder” means an account holder as defined in §
23 18–19A–01 or § 18–19B–01 of the Education Article.

24 (iii) “Contributor” means [an individual] **A PERSON** who contributes
25 funds to a Maryland Senator Edward J. Kasemeyer College Investment Plan or
26 Broker–Dealer College Investment Plan account under Title 18, Subtitle 19A or Subtitle
27 19B of the Education Article.

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

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

32 (2) (i) Except as provided in [subparagraph (ii)] **SUBPARAGRAPHS**
33 **(II), (III), AND (IV)** of this paragraph and subject to the limitation under paragraph (3) of
34 this subsection, the subtraction under subsection (a) of this section includes the amount

1 contributed by an account holder or a contributor during the taxable year to an investment
2 account.

3 (ii) The subtraction under subparagraph (i) of this paragraph may
4 not be taken if the account holder received a State contribution under § 18–19A–04.1 of the
5 Education Article during the taxable year.

6 (III) IF THE CONTRIBUTOR IS AN INDIVIDUAL, THE
7 SUBTRACTION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH MAY BE TAKEN ONLY
8 FOR CONTRIBUTIONS MADE TO UP TO FOUR INVESTMENT ACCOUNTS DURING THE
9 TAXABLE YEAR.

10 (IV) IF THE CONTRIBUTOR IS A PERSON OTHER THAN AN
11 INDIVIDUAL, THE SUBTRACTION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH
12 MAY BE TAKEN ONLY IF THE PERSON HAS AT LEAST ONE EMPLOYEE COVERED
13 UNDER THE STATE WORKERS' COMPENSATION LAWS.

14 (3) (i) Subject to paragraph (4) of this subsection, for each account
15 holder or contributor for all investment accounts maintained in the Maryland Senator
16 Edward J. Kasemeyer College Investment Plan and the Maryland Broker–Dealer College
17 Investment Plan for the same qualified designated beneficiary, the subtraction under
18 paragraph (2) of this subsection may not exceed [\$2,500 for any taxable year per] THE
19 FOLLOWING AMOUNT FOR EACH qualified designated beneficiary:

20 1. \$2,500 FOR A TAXABLE YEAR BEGINNING BEFORE
21 JANUARY 1, 2023;

22 2. \$3,850 FOR A TAXABLE YEAR BEGINNING AFTER
23 DECEMBER 31, 2022, BUT BEFORE JANUARY 1, 2024;

24 3. \$5,200 FOR A TAXABLE YEAR BEGINNING AFTER
25 DECEMBER 31, 2023, BUT BEFORE JANUARY 1, 2025;

26 4. \$6,550 FOR A TAXABLE YEAR BEGINNING AFTER
27 DECEMBER 31, 2024, BUT BEFORE JANUARY 1, 2026;

28 5. \$7,900 FOR A TAXABLE YEAR BEGINNING AFTER
29 DECEMBER 31, 2025, BUT BEFORE JANUARY 1, 2027;

30 6. \$9,250 FOR A TAXABLE YEAR BEGINNING AFTER
31 DECEMBER 31, 2026, BUT BEFORE JANUARY 1, 2028;

32 7. \$10,600 FOR A TAXABLE YEAR BEGINNING AFTER
33 DECEMBER 31, 2027, BUT BEFORE JANUARY 1, 2029;

1 8. **\$11,950 FOR A TAXABLE YEAR BEGINNING AFTER**
2 **DECEMBER 31, 2028, BUT BEFORE JANUARY 1, 2030;**

3 9. **\$13,300 FOR A TAXABLE YEAR BEGINNING AFTER**
4 **DECEMBER 31, 2029, BUT BEFORE JANUARY 1, 2031;**

5 10. **\$14,650 FOR A TAXABLE YEAR BEGINNING AFTER**
6 **DECEMBER 31, 2030, BUT BEFORE JANUARY 1, 2032;**

7 11. **\$16,000 FOR A TAXABLE YEAR BEGINNING AFTER**
8 **DECEMBER 31, 2031, BUT BEFORE JANUARY 1, 2033; AND**

9 12. **FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER**
10 **31, 2032, THE AMOUNT OF THE LIMITATION FOR THE IMMEDIATELY PRECEDING**
11 **TAXABLE YEAR, INCREASED BY THE LESSER OF:**

12 A. **THE PERCENTAGE INCREASE IN THE CONSUMER**
13 **PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE WASHINGTON**
14 **METROPOLITAN AREA, OR ANY SUCCESSOR INDEX, FOR THE IMMEDIATELY**
15 **PRECEDING 12-MONTH PERIOD; OR**

16 B. **5%.**

17 (ii) For purposes of the limitation under this paragraph[,]:

18 1. each spouse on a joint return shall be treated separately;

19 **AND**

20 2. **IF THERE IS NO INCREASE IN THE CONSUMER PRICE**
21 **INDEX FOR ALL URBAN CONSUMERS FOR THE WASHINGTON METROPOLITAN AREA**
22 **FOR THE IMMEDIATELY PRECEDING 12-MONTH PERIOD, THEN THE AMOUNT OF THE**
23 **LIMITATION IS THE LIMITATION FOR THE IMMEDIATELY PRECEDING TAXABLE YEAR.**

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

29 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
30 as follows:

31 **Article – Education**

1 18-19A-03.

2 (c) (1) Contributions to the Plan on behalf of a qualified designated beneficiary
3 may not exceed the maximum amount determined by the Board to be in accordance with §
4 529 of the Internal Revenue Code.

5 (2) Contributions to the Plan may be made only in cash or cash equivalent.

6 (3) The Plan shall include provisions for automatic contributions.

7 (4) **SUBJECT TO PARAGRAPH (1) OF THIS SUBSECTION, THE BOARD**
8 **SHALL ESTABLISH A MAXIMUM CONTRIBUTION AMOUNT OF \$750,000.**

9 (d) The Board shall adopt procedures to ensure that contributions to the Plan plus
10 contributions or payments to other qualified State tuition programs do not exceed a total
11 maximum amount determined under § 529 of the Internal Revenue Code for contributions
12 to multiple qualified State tuition programs.

13 18-19A-04.2.

14 (A) (1) **IN THIS SECTION, “WARD OF THE STATE” MEANS A CHILD UNDER**
15 **THE AGE OF 18 YEARS FOR WHOM A STATE OR COUNTY AGENCY OR OFFICIAL HAS**
16 **BEEN APPOINTED LEGAL GUARDIAN, OR WHO HAS BEEN COMMITTED BY A COURT OF**
17 **COMPETENT JURISDICTION TO THE LEGAL CUSTODY OF A STATE OR COUNTY**
18 **AGENCY OR OFFICIAL.**

19 (2) **“WARD OF THE STATE” INCLUDES A CHILD UNDER THE AGE OF 18**
20 **YEARS WHO HAS BEEN ADJUDICATED AS DELINQUENT.**

21 (B) (1) **FOR EACH WARD OF THE STATE, THE STATE SHALL ESTABLISH AN**
22 **INVESTMENT ACCOUNT UNDER THIS SUBTITLE.**

23 (2) **THE WARD OF THE STATE SHALL BE CONSIDERED THE QUALIFIED**
24 **DESIGNATED BENEFICIARY OF THE INVESTMENT ACCOUNT ESTABLISHED UNDER**
25 **THIS SECTION.**

26 (C) **TO EACH INVESTMENT ACCOUNT ESTABLISHED UNDER THIS SECTION**
27 **FOR A WARD OF THE STATE, THE STATE SHALL MAKE AN ANNUAL CONTRIBUTION OF**
28 **\$500 DURING THE PERIOD OF TIME THAT THE CHILD REMAINS A WARD OF THE**
29 **STATE.**

30 (D) **IF THE QUALIFIED DESIGNATED BENEFICIARY OF AN INVESTMENT**
31 **ACCOUNT ESTABLISHED UNDER THIS SECTION DOES NOT USE THE ACCOUNT**
32 **BALANCE FOR QUALIFIED HIGHER EDUCATION EXPENSES BY THE AGE OF 26 YEARS,**

1 THE BALANCE OF THE INVESTMENT ACCOUNT, INCLUDING INTEREST EARNINGS,
2 SHALL REVERT TO THE GENERAL FUND OF THE STATE.

3 (E) THE BOARD MAY ADOPT ANY REGULATIONS NECESSARY TO CARRY OUT
4 THE PROVISIONS OF THIS SECTION.

5 18-19A-08.

6 NOTWITHSTANDING ANY OTHER PROVISION OF STATE LAW, FOR ANY STATE
7 BENEFIT INCLUDING TAX CREDITS, FINANCIAL ASSISTANCE, OR SOCIAL SERVICES
8 THAT INCLUDES INCOME OR ASSETS AS A QUALIFYING FACTOR, THE BALANCE OF OR
9 DISTRIBUTION FROM AN INVESTMENT ACCOUNT MAY NOT BE USED IN DETERMINING
10 ELIGIBILITY FOR THE STATE BENEFIT.

11 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall be
12 applicable to all taxable years beginning after December 31, 2022.

13 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July
14 1, 2023.