

HOUSE BILL 1326

F5, Q3

5lr2163

By: **Delegate Wivell**

Introduced and read first time: February 7, 2025

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Prekindergarten Savings Account Program – Establishment**

3 FOR the purpose of establishing the Prekindergarten Savings Account Program in the
4 State administered by the State Department of Education; providing that the State
5 shall deposit into an account of an eligible student a certain percentage of the per
6 pupil amount of State and local funds for each education program in the resident
7 school district for which the eligible student would be included in the enrollment
8 count; allowing a subtraction modification under the Maryland income tax for
9 deposits into an education savings account; and generally relating to the
10 Prekindergarten Savings Account Program.

11 BY adding to

12 Article – Education

13 Section 9.12–101 through 9.12–106 to be under the new title “Title 9.12.
14 Prekindergarten Savings Account Program”

15 Annotated Code of Maryland

16 (2022 Replacement Volume and 2024 Supplement)

17 BY repealing and reenacting, without amendments,

18 Article – Tax – General

19 Section 10–208(a)

20 Annotated Code of Maryland

21 (2022 Replacement Volume and 2024 Supplement)

22 BY adding to

23 Article – Tax – General

24 Section 10–208(dd)

25 Annotated Code of Maryland

26 (2022 Replacement Volume and 2024 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 That the Laws of Maryland read as follows:

2 **Article – Education**

3 **TITLE 9.12. PREKINDERGARTEN SAVINGS ACCOUNT PROGRAM.**

4 **9.12–101.**

5 (A) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS
6 INDICATED.

7 (B) “ACCOUNT” MEANS AN EDUCATION SAVINGS ACCOUNT OPENED WITH A
8 PRIVATE FINANCIAL MANAGEMENT FIRM OR SIMILAR ENTITY THAT IS QUALIFIED BY
9 THE DEPARTMENT UNDER THIS TITLE.

10 (C) “ELIGIBLE STUDENT” MEANS A STUDENT WHO IS ELIGIBLE TO ENROLL
11 IN A PUBLIC PREKINDERGARTEN PROGRAM IN THE STATE.

12 (D) “PARENT” MEANS A LEGAL RESIDENT OF THE STATE WHO IS A PARENT,
13 A GUARDIAN, A CUSTODIAN, OR ANY OTHER PERSON WITH AUTHORITY TO ACT ON
14 BEHALF OF THE ELIGIBLE STUDENT.

15 (E) “PRIVATE TUTORING” MEANS TUTORING SERVICES PROVIDED BY A
16 TUTOR WHO:

17 (1) IS A TEACHER LICENSED IN ANY STATE;

18 (2) IS A SUBJECT MATTER EXPERT; OR

19 (3) IS OTHERWISE APPROVED BY THE DEPARTMENT.

20 (F) “PROGRAM” MEANS THE PREKINDERGARTEN SAVINGS ACCOUNT
21 PROGRAM ESTABLISHED UNDER THIS TITLE.

22 (G) (1) “QUALIFYING SCHOOL” MEANS ANY NONPUBLIC
23 PREKINDERGARTEN PROGRAM THAT HAS NOTIFIED THE DEPARTMENT OF ITS
24 INTENTION TO PARTICIPATE IN THE PROGRAM AND COMPLY WITH THE PROGRAM’S
25 REQUIREMENTS.

26 (2) “QUALIFYING SCHOOL” DOES NOT INCLUDE A HOME SCHOOL
27 EDUCATION PROGRAM.

28 (H) “RESIDENT SCHOOL DISTRICT” MEANS THE SCHOOL SYSTEM IN THE
29 COUNTY IN WHICH THE STUDENT RESIDES.

1 **9.12–102.**

2 (A) (1) **THERE IS A PREKINDERGARTEN SAVINGS ACCOUNT PROGRAM IN**
3 **THE STATE.**

4 (2) **THE DEPARTMENT SHALL ADMINISTER THE PROGRAM.**

5 (B) **THE PURPOSE OF THE PROGRAM IS TO PROVIDE STATE GRANTS TO THE**
6 **ACCOUNT OF THE PARENT OF AN ELIGIBLE STUDENT TO PROVIDE FOR THE**
7 **PREKINDERGARTEN EDUCATION OF THE ELIGIBLE STUDENT.**

8 (C) **A PARENT OF AN ELIGIBLE STUDENT SHALL BE QUALIFIED FOR A STATE**
9 **GRANT UNDER THE PROGRAM IF THE PARENT SIGNS AN AGREEMENT WITH THE**
10 **DEPARTMENT AGREEING TO:**

11 (1) **PROVIDE AN EARLY CHILDHOOD EDUCATION FOR THE ELIGIBLE**
12 **STUDENT THAT CONFORMS TO EDUCATIONAL REQUIREMENTS ESTABLISHED BY THE**
13 **DEPARTMENT;**

14 (2) **ENROLL THE ELIGIBLE STUDENT IN AN EDUCATION PROGRAM**
15 **THAT MEETS REGULAR SCHOOL ATTENDANCE REQUIREMENTS;**

16 (3) **ENSURE THAT THE ELIGIBLE STUDENT WILL TAKE ALL**
17 **ASSESSMENTS REQUIRED UNDER STATE LAW;**

18 (4) **RELEASE THE RESIDENT SCHOOL DISTRICT FROM ALL**
19 **OBLIGATIONS TO EDUCATE THE ELIGIBLE STUDENT;**

20 (5) **NOT ENROLL THE ELIGIBLE STUDENT IN A PUBLIC**
21 **PREKINDERGARTEN PROGRAM EXCEPT FOR CONTRACTED SERVICES UNDER**
22 **SUBSECTION (E) OF THIS SECTION;**

23 (6) **USE ALL FUNDS RECEIVED UNDER THIS TITLE EXCLUSIVELY FOR**
24 **THE ELIGIBLE STUDENT'S EDUCATION EXPENSES UNDER SUBSECTION (E) OF THIS**
25 **SECTION IN A PREKINDERGARTEN PROGRAM;**

26 (7) **NOT TRANSFER ANY FUNDS RECEIVED UNDER THIS TITLE TO A**
27 **BENEFICIARY THAT IS NOT THE ELIGIBLE STUDENT OR THE PARENT OF THE**
28 **ELIGIBLE STUDENT, OR OTHERWISE TAKE POSSESSION OF FUNDS TO WHICH THE**
29 **ELIGIBLE STUDENT OR PARENT OF THE ELIGIBLE STUDENT IS NOT ENTITLED;**

30 (8) **NOT RECEIVE ANY OTHER PUBLIC SUBSIDY FOR THE EDUCATION**

1 OF THE ELIGIBLE STUDENT UNLESS ANY FUNDS RECEIVED UNDER THE PROGRAM
2 ARE REDUCED BY THE AMOUNT OF THE SUBSIDY;

3 (9) NOT BILL AN INSURANCE COMPANY, MEDICAID, OR ANY OTHER
4 AGENCY FOR THE SAME SERVICES FOR WHICH FUNDS RECEIVED UNDER THIS TITLE
5 ARE USED; AND

6 (10) RETURN ANY UNUSED FUNDS TO THE STATE:

7 (I) WHEN THE STUDENT COMPLETES A PREKINDERGARTEN
8 PROGRAM; OR

9 (II) ON THE STUDENT'S REMOVAL FROM A QUALIFYING SCHOOL
10 IN THE STATE.

11 (D) (1) SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION, ON A
12 QUARTERLY BASIS, THE STATE SHALL DEPOSIT INTO AN ACCOUNT OF AN ELIGIBLE
13 STUDENT AN AMOUNT EQUIVALENT TO:

14 (I) FOR STUDENTS FROM FAMILIES WHOSE INCOME IS LESS
15 THAN OR EQUAL TO 500% OF THE FEDERAL POVERTY LEVEL FOR THE IMMEDIATELY
16 PRECEDING CALENDAR YEAR, 75% OF THE PER PUPIL AMOUNT OF STATE AND
17 LOCAL FUNDS FOR EACH EDUCATION PROGRAM IN THE RESIDENT SCHOOL DISTRICT
18 FOR WHICH THE ELIGIBLE STUDENT WOULD BE INCLUDED IN THE ENROLLMENT
19 COUNT FOR THE CALCULATIONS UNDER TITLE 5, SUBTITLE 2 OF THIS ARTICLE; AND

20 (II) FOR STUDENTS FROM FAMILIES WHOSE INCOME IS
21 GREATER THAN 500% OF THE FEDERAL POVERTY LEVEL FOR THE IMMEDIATELY
22 PRECEDING CALENDAR YEAR, 50% OF THE PER PUPIL AMOUNT OF STATE AND
23 LOCAL FUNDS FOR EACH EDUCATION PROGRAM IN THE RESIDENT SCHOOL DISTRICT
24 FOR WHICH THE ELIGIBLE STUDENT WOULD BE INCLUDED IN THE ENROLLMENT
25 COUNT FOR THE CALCULATIONS UNDER TITLE 5, SUBTITLE 2 OF THIS ARTICLE.

26 (2) (I) THE ELIGIBLE STUDENT SHALL BE COUNTED IN THE
27 ENROLLMENT COUNT USED FOR PURPOSES OF CALCULATING THE STATE AND
28 LOCAL FUNDING FOR THE EDUCATION PROGRAMS UNDER TITLE 5, SUBTITLE 2 OF
29 THIS ARTICLE.

30 (II) THE COUNTY SHALL REIMBURSE THE STATE FOR THE
31 LOCAL FUNDING REQUIRED UNDER TITLE 5, SUBTITLE 2 OF THIS ARTICLE THAT IS
32 PROVIDED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

33 (3) THE AMOUNT DEPOSITED UNDER PARAGRAPH (1) OF THIS

1 SUBSECTION SHALL BE DEDUCTED FROM THE AMOUNT OF STATE AND LOCAL FUNDS
2 PROVIDED TO THE RESIDENT SCHOOL DISTRICT UNDER TITLE 5, SUBTITLE 2 OF
3 THIS ARTICLE.

4 (4) A PARENT OF AN ELIGIBLE STUDENT MAY DEPOSIT ADDITIONAL
5 FUNDS TO AN ACCOUNT ON A PRE-TAX BASIS AS PROVIDED UNDER § 10-208(DD) OF
6 THE TAX – GENERAL ARTICLE.

7 (5) THE FUNDS IN AN ACCOUNT MAY BE USED ONLY FOR EDUCATION
8 EXPENSES UNDER SUBSECTION (E) OF THIS SECTION AND AS APPROVED BY THE
9 DEPARTMENT.

10 (E) PARENTS OF AN ELIGIBLE STUDENT MAY USE THE FUNDS IN THE
11 ACCOUNT ONLY FOR THE FOLLOWING EXPENSES:

12 (1) TUITION AND FEES AT A QUALIFYING SCHOOL;

13 (2) TEXTBOOKS OR UNIFORMS REQUIRED BY A QUALIFYING SCHOOL;

14 (3) PAYMENT FOR PRIVATE TUTORING;

15 (4) PAYMENT FOR PURCHASE OF CURRICULAR MATERIALS, ANY
16 SUPPLEMENTAL MATERIALS REQUIRED FOR THE CURRICULUM, AND
17 INSTRUCTIONAL MATERIALS;

18 (5) TUITION OR FEES FOR A NONPUBLIC ONLINE LEARNING
19 EDUCATION PROGRAM;

20 (6) EDUCATION SERVICES FROM A LICENSED OR ACCREDITED
21 PROVIDER FOR ELIGIBLE STUDENTS WITH DISABILITIES OR WITH SPECIAL NEEDS;

22 (7) CONTRACTED EDUCATION SERVICES PROVIDED AT A PUBLIC
23 PREKINDERGARTEN PROGRAM OR WITHIN A LOCAL SCHOOL SYSTEM;

24 (8) IF APPLICABLE:

25 (I) INTERNET SERVICE PROVIDER FEES; OR

26 (II) ONLINE LEARNING FEES; AND

27 (9) ANY OTHER EDUCATION EXPENSES APPROVED BY THE
28 DEPARTMENT.

1 (F) A QUALIFYING SCHOOL, A PRIVATE TUTORING PROVIDER, OR ANY
2 OTHER EDUCATION PROVIDER MAY NOT REFUND, REBATE, OR SHARE THE GRANT
3 PROVIDED UNDER THIS TITLE WITH A PARENT OR AN ELIGIBLE STUDENT.

4 (G) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO PARENTS ON:

5 (1) THE ELIGIBLE USES OF ACCOUNT FUNDS;

6 (2) THE RESPONSIBILITIES OF THE PARENT; AND

7 (3) THE DUTIES OF THE DEPARTMENT.

8 **9.12-103.**

9 (A) (1) THE DEPARTMENT SHALL QUALIFY PRIVATE FINANCIAL
10 MANAGEMENT FIRMS OR SIMILAR ENTITIES TO MANAGE ACCOUNTS.

11 (2) THE DEPARTMENT SHALL ESTABLISH REASONABLE FEES BASED
12 ON MARKET RATES.

13 (B) (1) (I) THE DEPARTMENT MAY CONDUCT OR CONTRACT FOR THE
14 AUDITING OF ACCOUNTS.

15 (II) AT A MINIMUM, A RANDOM SAMPLING OF ACCOUNTS SHALL
16 BE AUDITED ANNUALLY.

17 (2) THE DEPARTMENT MAY DETERMINE A PARENT INELIGIBLE FOR
18 THE PROGRAM IF SUBSTANTIAL MISUSE OF ACCOUNT FUNDS OCCURS.

19 (3) THE DEPARTMENT MAY REFER ANY SUBSTANTIAL MISUSE OF
20 ACCOUNT FUNDS TO THE ATTORNEY GENERAL FOR FURTHER INVESTIGATION.

21 **9.12-104.**

22 (A) A QUALIFYING SCHOOL SHALL:

23 (1) COMPLY WITH APPLICABLE HEALTH AND SAFETY LAWS OR
24 CODES;

25 (2) HOLD A VALID OCCUPANCY PERMIT IF REQUIRED;

26 (3) CERTIFY COMPLIANCE WITH NONDISCRIMINATION POLICIES
27 UNDER TITLE 42 OF THE U.S. CODE;

1 10–208.

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

5 **(DD) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE**
6 **MEANINGS INDICATED.**

7 **(II) “ACCOUNT” HAS THE MEANING STATED IN § 9.12–101 OF**
8 **THE EDUCATION ARTICLE.**

9 **(III) “PARENT” HAS THE MEANING STATED IN § 9.12–101 OF THE**
10 **EDUCATION ARTICLE.**

11 **(IV) “PROGRAM” HAS THE MEANING STATED IN § 9.12–101 OF**
12 **THE EDUCATION ARTICLE.**

13 **(2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**
14 **INCLUDES THE AMOUNT DEPOSITED INTO AN ACCOUNT ESTABLISHED UNDER THE**
15 **PROGRAM BY A PARENT DURING THE TAXABLE YEAR.**

16 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
17 1, 2025, and Section 2 of this Act shall be applicable to all taxable years beginning after
18 December 31, 2024.