

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 412 (Senator Waldstreicher)  
Budget and Taxation

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**Income Tax - Subtraction Modification - Maryland 529 Plan Contributions**

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This bill increases, from \$2,500 to \$4,850, (1) the annual per-contributor, per-beneficiary limit on the amount allowed as an income tax subtraction modification for contributions to an investment plan under the Maryland Senator Edward J. Kasemeyer College Investment Plan (MCIP) and (2) the annual per-contract limit on the amount allowed as a subtraction modification for advance tuition payments made to the Maryland Senator Edward J. Kasemeyer Prepaid College Trust (MPCT). The increased limits apply to tax year 2026 and beyond. However, subtraction carryforwards arising from contributions or payments made prior to tax year 2026 continue to be subject to the existing \$2,500 annual limitations. **The bill takes effect July 1, 2025.**

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**Fiscal Summary**

**State Effect:** Absent clarity regarding the bill's treatment of subtraction carryforwards for contributions made in tax years prior to 2026, the bill's precise effect on general fund revenues is unclear, as discussed below. Nonetheless, general fund revenues likely decrease by a significant amount annually beginning in FY 2027 and may also decrease in FY 2026, as discussed below. The Comptroller's Office can implement the bill's changes with existing budgeted resources.

**Local Effect:** The bill's precise effect on local income tax revenues is unclear; however, local income tax revenues likely decrease by a significant amount annually beginning in FY 2027 and may also decrease in FY 2026. Local expenditures are not affected.

**Small Business Effect:** None.

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## Analysis

**Current Law:** An individual may subtract from income the amount contributed to an investment plan under MCIP, subject to an annual limit of \$2,500 per contributor per beneficiary. (For purposes of the limitation, each spouse on a joint return is treated separately.) Any excess amount may be carried forward, subject to the \$2,500 annual per-contributor, per-beneficiary limit, for up to 10 years until fully used.

Similarly, an individual may subtract from income the amount of advance tuition payments made to MPCT, subject to an annual limit of \$2,500 per prepaid contract. Any excess amount may be carried forward, subject to the \$2,500 annual per-contract limit, until fully used.

**State/Local Revenues:** As noted above, absent clarity regarding the bill's treatment of subtraction carryforwards for eligible contributions and payments made in tax years prior to 2026, the bill's precise effect on State and local revenues is unclear. While the bill increases the annual dollar amount limits applicable to the subtraction modifications for tax years after 2025, the bill specifies that subtraction carryforwards are subject to the annual dollar amount limitation that applies to the year in which the contribution or payment is made (\$2,500 per MCIP account contributor per beneficiary or per MPCT contract for tax years prior to 2026). Given that the current dollar amount limits cap the overall amount of eligible contributions or payments that may be subtracted annually, it is unclear how the bill's alterations to the subtraction carryforward provisions interact with the enhanced dollar amount limits.

Nonetheless, it is assumed that State general fund revenues and local income tax revenues decrease by significant amounts annually beginning in fiscal 2027 and may also decrease in fiscal 2026 to the extent the bill's changes result in decreased estimated payments for tax year 2026.

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## Additional Information

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Maryland State Treasurer's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 3, 2025  
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