



HOUSE APPROPRIATIONS COMMITTEE

House Bill 526

**Higher Education - Differential Tuition - Notification and Income Tax Subtraction
Modification**

February 18, 2020

**Patrick Hogan, Vice Chancellor Government Relations
Unfavorable Report**

Chair McIntosh, Vice Chair Jackson and committee members, thank you for the opportunity to share our thoughts on House Bill 526. This bill creates a subtraction modification against the State income tax for the portion of differential tuition payments. The potential fiscal impact to University System of Maryland (USM) institutions would create complex reporting systems to report differential tuition information to taxpayers, the amount of which is difficult to determine with this short turnaround.

House Bill 526 establishes a Maryland Income Tax Subtraction Modification for payers of differential tuition “for the amount used by the institution to provide a scholarship or other financial aid to students.” The higher education institution is required also to provide the individual who paid the differential an annual statement. The bill also defines differential tuition as “the additional tuition that is charged by an institution of higher education for particular courses that is higher than tuition that is charged for other courses.” At USM campuses differential tuition is not charged by course, and therefore does not meet this definition. Instead, differential tuition is charged to students by major who reach junior standing for a maximum of four semesters.

If enacted, the subtraction modification would be included in Maryland Tax Form 502SU with a requirement to include a copy of the annual statement for taxpayers claiming the subtraction. While the definition of differential tuition in the bill differs from our application of the differential charge to students, taxpayer instructions to include the statement with their tax filing places the burden USM institutions to provide this information or handle customer complaints. Payer information is not tracked for payments made to a student account. Multiple payers from multiple sources often pay a student account.

Determining who paid the actual differential is not possible. For example, a student’s bill could consist of tuition, tuition differential, fees, room and board. Payments to the account could include a student loan, a parent loan a grandparent’s 529, an outside scholarship and cash at the cashier window. Individuals who make student account payments are not tracked, and to begin tracking would require significant system modifications and expense to maintain. Social security numbers, name and address information would need to be collected at the time of payment for all payments to create annual statements for payments applied to the tuition differential.

The expense of creating an infrastructure to track payers and isolate individual and/or multiple individuals to a student account for the tuition differential share provided for scholarship or other financial aid is not feasible. Additionally, requiring customers to provide additional information at time of payment is an inconvenience to the customer and will have a negative impact on their payment experience.

Thank you for allowing us to share our thoughts on House Bill 526 and urge an unfavorable report.