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BILL NO.: **HB 1066**

TITLE: Income Tax - 529 College Investment Plans - Elementary and
Secondary Education Expenses

SPONSOR: Delegate Ebersole

COMMITTEE: Ways and Means

POSITION: **SUPPORT**

DATE: February 21, 2020

Baltimore County **SUPPORTS** House Bill 1066 – Income Tax - 529 College Investment Plans - Elementary and Secondary Education Expenses. This legislation would close a loophole which allows individuals to claim the subtraction modification for contributions made to the Maryland College Investment Plan (MCIP), Maryland Broker-Dealer College Investment Plan (MBDCIP), or a 529 plan even if those funds are used for elementary or secondary school education.

Currently, Maryland State Law defers to federal income tax law regarding deductions on distributions from qualified tuition plans. Despite the fact that the MCIP and MBDCIP were both designed to fund college educations, distributions from these plans used for elementary and secondary education expenses are eligible for subtraction modification claims. The net result is a form of income which is currently not being taxed and a significant loss in revenue for local governments across Maryland. This legislation would close the loophole by requiring individuals to report whether their distributions are being used for secondary or elementary education, and if so, adding it back to their income. Local governments stand to gain \$12.5 million lost by the exploitation of these plans and the federal tax code.

Accordingly, Baltimore County requests a **FAVORABLE** report on HB 1066. For more information, please contact Chuck Conner, Chief Legislative Officer, at 443-900-6582.