



The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 1238
Maryland 529 Program – Board Authority and State Contribution - Alterations
Testimony of Delegate Cathi Forbes
Hearing February 24, 2021 at 1:00 pm
Appropriations

What this bill does

This bill would change some of the requirements to qualify for the Save4College state contribution program. With these changes we hope to preserve the intent of the program, encouraging low- and middle-income families to open 529 college savings plans, and close the loopholes that allowed for abuse of the benefit.

Why this bill matters

The College Affordability Act of 2016 ([SB676/HB1014](#)) created the [Save4College State Contribution](#) program. This means-tested program provides a state contribution to investments made in a 529 plan. The original intent was to encourage low- and middle-income families to begin saving for college—to open 529 plans, and regularly contribute.

Unfortunately, a growing number of people have significantly abused the program, with [one family receiving nearly \\$100,000 in state contributed matching funds in a single year](#). By opening multiple accounts for each child, these families qualified for multiple state contributions; there was nothing in the original law that prevented this abuse.

To begin to address this issue, the Budget Reconciliation and Financing Act (BRFA) of 2020 included language that limited the number of state contributions to two, for a qualified beneficiary, in an application period. This will take effect for the FY2022 application year.

The additional changes proposed in HB1238 are the result of a workgroup convened during the interim to further address this issue. The workgroup included House and Senate members, representatives from Maryland 529, the Comptroller's Office, the Treasurer's Office, the Department of Legislative Services, and the CASH Campaign of Maryland.

What specific changes are included in HB1238

This bill will impose a lifetime limit of \$9,000 in state contributions for each account holder, regardless of how many accounts they have opened. Maryland 529 estimates this change will save taxpayers \$1.2 million.

This bill also mandates that the beneficiary must be under the age of 26 before January 1 of the application period, to preserve the intent of encouraging long-term savings for college. This change is estimated to save taxpayers \$1.5 million.

Currently income eligibility for the Save4College program is determined by Maryland taxable income. This bill changes that so income will be determined by Maryland Adjusted Gross Income (AGI). Because of deductions, a filer's taxable income can be significantly less than their AGI. This change will ensure the matching funds are being given to needier families.

This bill requires the account holder to be a Maryland resident to receive the state contribution. There is already a residency requirement for the beneficiary of these matches, but requiring an account holder to be a Maryland resident will result in an additional cost savings of \$300,000.

Who benefits from this bill

State taxpayers benefit as we will end the abuse of this program while maintaining the intent. Families with lesser means will benefit as the matching program will not just continue, but be made available to more lower-income families due to the cost savings.

Why you should vote for this bill

The passage of HB 1238 will close the loopholes and address the unintended consequences of the Save4College program. These changes will allow us to continue the original intent of the College Affordability Act of 2016, supporting low- and middle-income families as they save for college.

I ask for a favorable report on HB1238.