



SB 779 - Maryland 529 Program – Board Authority and State Contribution – Alterations

February 24, 2021

SUPPORT

Chairman Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to support Senate Bill 779. This bill strengthens the Save4College program, and aligns it with the original intent of the College Affordability Act of 2016 ([SB 676/](#)[HB1014](#)).

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

The state match was created to help low and middle income families save for their child's future higher education costs. Unfortunately, there are unintended abuses of the program, with some individuals receiving tens of thousands of match funds. Most notably, one family received \$97,500 in state match funds in a single application cycle. The General Assembly added language in last year's budget to clarify that in a single application year, one beneficiary can receive two state matches. This change will help lessen the ability to easily abuse the program; however, more clarification is needed.

SB 779 would implement the following changes to preserve the program and save the state \$3 million.

- **\$9,000 Account Holder Lifetime Limit:** This change, along with the current budget language, targets the individuals who are abusing the program. The limit assumes a max match of \$500 per year for 18 years, but those who have abused the program will already have met their lifetime limit. Maryland provides the most generous match in the country; all other states provide a one-time match per household.
- **Calculate Income Using Adjusted Gross Income (AGI):** The program currently determines income by using taxable income. A majority of means-tested programs and credit use AGI as the standard. Using taxable income allows for families with high income to qualify for the benefit. Taxable income can take into account many deductions that will lower an individual or family's income. For example, an individual who makes over \$130,000 can qualify for the match, even though the cap is \$112,500 for an individual.
- **Residency Requirements:** The account holder has to be a Maryland resident to be eligible for the state match.
- **Beneficiary Age Limit:** Establishes the beneficiary age limit for accounts to receive the state match as under the age of 26 before January 1 of the application cycle.

These changes only affect the state match program. They do not limit or change the ability to open or contribute to a Maryland 529 account. SB 779 will eliminate the need for another deficiency appropriation, align the program with its original intent, and ensure that the administration of the program is fair and efficient.

We encourage you to return a favorable report of Senate Bill 779. Thank you.