



The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 444

Maryland 529 Program – State Matching Contribution – Age of Account Holder

Testimony of Delegate Cathi Forbes
Hearing February 8, 2022 at 1:00 pm
Appropriations

What this bill does

Building on the work of [HB1238/SB779](#) that passed last session, this bill would change one of the requirements to qualify for the Save4College state contribution program. Last year's legislation was successful in closing known loopholes that allowed for abuse of the benefit. A new loophole has been discovered, and we hope to close it with this legislation to preserve the intent of the program, which is encouraging low- and middle-income families to open 529 college savings plans.

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 were significantly abusing 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. Last year's legislation closed the loopholes that allowed that abuse.

As a result, more than 4,000 applicants were deemed ineligible last year for the Save4College match, as they had exceeded the \$9,000 lifetime limit of benefits. More than 1,200 applicants were deemed ineligible because they exceeded the limit of two state matches for one beneficiary.

This year, however, those who want to abuse the program have found another loophole, and this bill will close it, as well.

What specific changes are included in HB444?

This bill requires the account holder to be an adult, 18 or over, to qualify for the Save4College state contribution. In the last year, Save4College saw a massive increase of accounts being opened as custodial accounts to qualify for the benefit. In these instances, families were opening custodial accounts with the minor child as the account holder. As the account holder, the minor is now also eligible to receive up to \$9,000 in state contributions. To make matters worse, some of those children are now serving as account holders for additional family members. As a consequence, there were families where both parents had received more than \$9,000 in benefits from the Save4College program, who opened these custodial accounts with the child as the account holder, and one parent as the custodian.

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 444 will close this new loophole and address the unintended consequences of the Save4College program. This change 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 HB444.