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Legislative District 30
Anne Arundel County

Budget and Taxation Committee

Subcommittees

Education, Business and Administration

Chair, Pensions

Senate Chair

Joint Committee on Administrative,
Executive, and Legislative Review

Joint Committee on the Chesapeake and
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 9, 2022

Testimony in Favor of SB411
Maryland Senator Edward J. Kasemeyer College Investment Plan - State Matching Contribution - Age of Account Holder

Chair Pinsky, Vice-Chair Kagan, and members of the Education, Health, & Environmental Affairs Committee,

I respectfully request a favorable report of SB411, legislation that would close an additional loophole in our critically important 529 college investment program.

Over the last two sessions, the General Assembly has taken swift action to maintain the integrity of our State's 529 college investment program while ensuring that it remains one of the most generous plans in the nation.

- In 2020 we added budget language to restrict the number of State matches a beneficiary could receive in one application period to two; and,
- In 2021 this body passed SB779 to make several changes to the program including: setting a lifetime \$9,000 State contribution limit on the account holder of a 529 plan; using adjusted gross income rather than taxable income for determinations on the program; requiring both the account holder and beneficiary to be Maryland residents; and, requiring the beneficiary in an account to be under the age of 26.

These changes were in response to a small number of individuals taking advantage of the program, and while these remedies were impactful in attempting to stop the excessive awarding of funds to a limited number of individuals, it has become clear that we need additional changes to ensure the integrity of the program.

This legislation would ensure that account holders are at least 18 years old for applications to the program. This is in response to the uptick in custodial account applications that the 529 program has seen over the last application period - indicating that after account holders reach their \$9,000 state contribution limit, they then open a custodial account in which their child is both the account holder and beneficiary. These newly created custodial accounts are then eligible for the maximum state match once again.

This loophole allows individuals to side-step the \$9,000 State contribution limit currently in State law but also leaves the children in the account unable to get future State matches as their contribution limit is already met.

Once again I respectfully request a favorable report of SB411 to maintain the integrity of our State's 529 Save4College program.