



**SB 411- Maryland Senator Edward J. Kasemeyer College Investment Plan – State Matching  
Contribution – Age of Account Holder  
Senate Education, Health, and Environmental Affairs Committee  
February 9, 2022  
SUPPORT**

Chair Pinsky, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 411. This bill will require an account holder to be at least 18 years old for the Save4College state match program.

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. Last year the General Assembly passed [HB 1238/ SB 779](#) to limit some of the unintended consequences and abuses of the program. This legislation created a \$9,000 account holder lifetime limit to target individuals who were abusing the program. Unfortunately, there are a small number of individuals who are bypassing the account holder limit by using custodial accounts.

A custodial account is where the account holder is a minor with a guardian. In these cases, the account holder is a minor with a custodian who is usually the minor’s parent. It is advantageous for families to do this if the adults have already reached the \$9,000 account holder limit. The minor, who is the account holder, is whom the \$ 9,000-lifetime limit will apply. In many situations, the minor is the account holder and the beneficiary. The custodian can also use the minor to open accounts for their siblings, cousins, or other family members.

There has been an increase in applications with custodial accounts in past years. There was an average of 156 new custodial accounts opened each calendar year from 2012 to 2020. For the calendar year 2021, there were 432 new custodial accounts. Since these are new accounts, they will receive priority in receiving the benefit. It also means that the minors are using their lifetime account holder limit now, and they will not have the full \$9,000 limit if they have children in the future.

SB 411 will address this issue by requiring an 18-year-old age limit for account holders for the purposes of the Save4College state match program. This change will only affect the state match program. It will not limit or change the ability to open a Maryland 529 account. SB 411 is another step to ensure that the state match program is administered fairly and efficiently.

**For these reasons, we encourage a favorable report on SB 411.**

*Creating Assets, Savings and Hope*