

Dear Maryland Delegates,

Since the proposed bill in its current form has some amendments that are not supported by federal law or legal precedent, I propose that the following amendments be adopted instead of the current language on rollover and distribution restrictions:

1. Distributions

- Distributions from an account in the Prepaid College Trust may be used for the designated beneficiary's qualified expenses, and if not used in that manner, may be considered a non-qualified withdrawal.
- Funds contained in a Prepaid College Trust account may be rolled over into an eligible tuition program, to the extent permitted by Section 529 of the Internal Revenue Code.
- Distributions made from the Prepaid College Trust may be made directly to the eligible educational institution, directly to a vendor, in the form of a check payable to both the designated beneficiary and the institution or vendor, directly to the designated beneficiary or account owner, or in any other manner that is permissible under Section 529 of the Internal Revenue Code.

2. Prepaid College Trust Account Summaries

The State Treasurer shall provide a separate accounting for each designated beneficiary. The separate accounting shall be provided to the account owner of the account for the designated beneficiary at least *annually* and shall show the following:

- i. account balance,
- ii. investment in the account,
- iii. investment earnings, and
- iv. distributions from the account.

3. Investment restrictions

- An account owner may, directly or indirectly, direct the investment of his or her account only as provided in Section 529(b)(4) of the Internal Revenue Code.
- Donors and designated beneficiaries, in those capacities, may not, directly or indirectly, direct the investment of an account.

4. Rules

- The Treasurer shall adopt rules he or she considers necessary for the efficient administration of the Prepaid College Trust. The rules shall provide whatever additional parameters and restrictions are necessary to ensure that the Prepaid College Trust meets all the requirements for a qualified tuition program under Section 529 of the Internal Revenue Code.
- Notice of any proposed amendments to the rules and regulations shall be provided to all account owners prior to adoption.

Respectfully,

Afaf Igbaria

Account Holder at MPCT529