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Informational Testimony of the Maryland State Treasurer's Office

House Bill 930: Income Tax – Decoupling from Federal Changes – Education Expenses

House Ways and Means Committee

February 26, 2026

The State Treasurer's Office (STO) appreciates the opportunity to provide information regarding House Bill 930 for the Committee's consideration. Among other changes, the bill excludes tuition and specified costs associated with elementary and secondary schooling from consideration as qualified higher education expenses, thereby prohibiting 529 funds from being used for "K-12" education expenses. As a result, account holders who currently utilize a Maryland College Investment Plan (MCIP) account to save for private K-12 schooling will no longer receive State tax benefits, as these expenses will not meet the State definition of "qualified higher education expenses."

As administrator of MCIP, the State Treasurer is in a unique position to provide insight into the proposed changes. STO has raised two potential considerations with the bill sponsor and notes them here as well for the Committee.

Account Holder Impact

Since 2018, federal law has authorized 529 account holders who spend funds on K-12 tuition to receive tax benefits for covering those expenses with 529 account funds. By excluding these costs from the State's favored tax treatment going forward, House Bill 930 could galvanize account holders to respond negatively. This may be especially true for account holders who currently utilize their MCIP accounts to pay for private school.

As the Committee remembers, account holders have been vocal in the recent past about their concerns that Maryland 529 could better serve their needs. Since taking over the Program in 2023, STO has worked diligently to improve 529 administration, communication, and transparency. If the General Assembly limits the ways in which Marylanders can use their accounts, the State could potentially invite a new wave of

criticism over Program management and impair the expectations and financial plans of certain account holders. STO will implement the policy regardless but thought that it was important to flag this for your consideration.

State Constitutional Implications

House Bill 930 may also raise issues under the State Constitution due to the potential (1) impairment of preexisting contract rights, or (2) deprivation of vested rights/property without affording due process to account holders. Account holders who entered into MCIP contracts expecting to save and spend on K-12 tuition with the tax advantages of the plan could challenge the law if it applies retroactively to existing accounts or limits the ways in which prior contributions can be used. The bill's retroactive or prospective application may inform the ultimate outcome of a constitutional claim.

Amendments to Mitigate Concerns

STO understands that the sponsor may be developing amendments to alter the qualified education expense provisions in the bill. Amending the bill to retain K-12 tuition as a qualified expense or specify prospective application, for example, may mitigate potential customer service and constitutional concerns.

Treasurer Davis and STO hope that this information is useful as the Committee considers House Bill 930. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.