MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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Maryland Should Not Double Down on Special Tax Breaks for Private Schools

Position Statement in Support of House Bill 930

Given before the House Ways and Means Committee

Educating Maryland's children is one of the most important responsibilities of our state government, and one of the strongest tools available to support long-term economic growth. However, current federal policy undermines public education by funneling public dollars into private schools. Maryland should not follow suit. House Bill 930 would exclude private K-12 school expenses from the state's 529 college savings plan tax subsidies and prohibit the state from participating in another new federal tax break for contributions to private schools. For these reasons, the Maryland Center on Economic Policy supports House Bill 930.

The Trump administration's signature 2017 federal tax overhaul fundamentally changed the purpose of 529 plans. These tax-advantaged savings vehicles have always been intended as a way to help families pay the increasingly unaffordable price of higher education. Like many other states, Maryland provides additional tax breaks for 529 plan savings on top of the subsidies in federal law. However, the 2017 federal tax overhaul changed the meaning of "qualified higher education expense" to include expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school. Because Maryland's 529 subsidies are coupled to federal law, this change automatically created a state tax break for private schools without any input from Maryland lawmakers.

The 2025 megabill reauthorized this measure and doubled down with a new tax break for contributions to private schools.

House Bill 930 would remove any state tax breaks for so-called "qualified higher education expenses" that are in reality used for private K-12 education and prohibit participation in the new tax break program.

Lawmakers this year face a stark choice. We face a projected general fund structural deficit of $2.3 billion in FY 2028, growing to $4.1 billion within five years. The math is simple: To meet the state's constitutional balanced budget requirement, we will need to either raise significant new revenue or enact further, deeper cuts into public services like education, child care, and transportation.

Doubling down on new federal tax breaks backed by policymakers and advocates who fundamentally oppose public education would do a disservice to Maryland's children.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 930.

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