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Capital Budget

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The Maryland House of Delegates
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 930

Income Tax – Decoupling from Federal Changes – Education Expenses

Testimony of Delegate Cathi Forbes

Ways and Means

February 26, 2026

What this bill does

This bill decouples Maryland from three federal changes regarding educational tax provisions, resulting from the passage of H.R.1, the One Big Beautiful Bill Act.

What Maryland will Decouple From

On 529 Accounts:

529 plan accounts were created in 1996 as a way for families to save for college in a tax-advantaged way. Funds deposited in a 529 plan could grow, and be spent, free of federal and state taxes providing they were used for qualified higher education expenses. 529 plans were devised to encourage people to save regularly, for years, for college expenses in the future.

For the first time, in 2017, the Tax Cuts and Jobs Act (TCJA) extended the use of 529 plan funds to cover K-12 tuition expenses, and withdrawals at that time were limited to \$10,000 a year. H.R. 1 increased both the annual withdrawal amount allowed for K-12 expenses to \$20,000 and expanded the allowable use of these funds.

When the 529 Plan was established in Maryland, we also established a generous Maryland tax benefit to encourage families to save for college. For deposits in the [Maryland 529](#) plan, the state provides an income tax subtraction up to \$2,500 per taxpayer, per beneficiary, per year, for contributions made to the Maryland 529 plan. If you make deposits in a 529 account of more than \$2,500, that income subtraction may be carried over until it is used for the next 10 succeeding taxable years.

This generous Maryland tax benefit was intended to encourage long-term savings for college. HB930 would ensure this Maryland tax benefit will not be applicable to deposits that are used for K-12 expenses.

Maryland also treats funds withdrawn from a 529 Plan as exempt from state income tax. This bill will maintain that status for withdrawals used for higher education expenses, but for 529 withdrawals used for K-12 expenses, gains will be treated as taxable income.

On “Trump Accounts”:

H.R. 1 allows for early savings for a child’s future retirement through a new type of savings account. The accounts grow tax-free until the beneficiary turns 18, at which time the account becomes a traditional retirement account (IRA). The federal government will provide an initial deposit of \$1,000 for each baby born in 2026-2028 who has a social security number.

HR 930 does nothing to interfere with families receiving these free \$1,000 accounts. But this legislation requires Maryland to decouple from a provision of the bill that allows employers to contribute up to \$2,500, federally tax-free, to an employee’s child’s Trump Account.

This legislation would require Maryland to treat these employer contributions as taxable income for the employee, just as Maryland treats other fringe benefits.

On the Scholarship Tax Credit:

H.R.1 created a new federal tax credit for contributions to tax-exempt Scholarship Granting Organizations (SGOs) that award scholarships to low-income students to attend private school. H.R.1 has a unique provision that a governor must opt in to this program. The legislation before you today would prohibit the Governor from allowing participation in this program. At this point there are no regulations released from the Department of Treasury relating to this program, there is no data transparency regarding how SGOs will be qualified for participation, and no transparency as to how the donations are spent. Without more information, and guard rails to prevent abuse, Maryland should not participate.

I ask for a favorable report. Thank you.