

SENATE BILL 412

Q3

5lr1133

By: **Senator Waldstreicher**

Introduced and read first time: January 20, 2025

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Maryland 529 Plan Contributions**

3 FOR the purpose of altering, beginning in a certain taxable year, the maximum amount of
4 a subtraction modification under the Maryland income tax for certain contributions
5 made to a Maryland Senator Edward J. Kasemeyer Prepaid College Trust account,
6 Maryland Senator Edward J. Kasemeyer College Investment Plan, or Broker–Dealer
7 College Investment Plan; and generally relating to a subtraction modification for
8 contributions made to college savings accounts.

9 BY repealing and reenacting, without amendments,
10 Article – Tax – General
11 Section 10–208(a)
12 Annotated Code of Maryland
13 (2022 Replacement Volume and 2024 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article – Tax – General
16 Section 10–208(n) and (o)
17 Annotated Code of Maryland
18 (2022 Replacement Volume and 2024 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
20 That the Laws of Maryland read as follows:

21 **Article – Tax – General**

22 10–208.

23 (a) In addition to the modification under § 10–207 of this subtitle, the amounts
24 under this section are subtracted from the federal adjusted gross income of a resident to
25 determine Maryland adjusted gross income.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(n) (1) (i) In this subsection the following words have the meanings indicated.

(ii) “Account holder” has the meaning stated in § 18–1901 of the Education Article.

(iii) “Contributor” means an individual who contributes funds to a Maryland Senator Edward J. Kasemeyer Prepaid College Trust account under Title 18, Subtitle 19 of the Education Article.

(iv) “Qualified higher education expenses” has the meaning stated in § 529 of the Internal Revenue Code.

(2) The subtraction under subsection (a) of this section includes the amount of advance payments of qualified higher education expenses made by an account holder or a contributor during the taxable year as provided under a prepaid contract in accordance with the Maryland Senator Edward J. Kasemeyer Prepaid College Trust.

(3) Subject to paragraph (4) of this subsection, for each prepaid contract, the subtraction under paragraph (2) of this subsection may not exceed:

(I) \$2,500 for any taxable year **BEGINNING BEFORE JANUARY 1, 2026; AND**

(II) **\$4,850 FOR ANY TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2025.**

(4) (I) The amount disallowed as a subtraction under this subsection for any taxable year **BEGINNING BEFORE JANUARY 1, 2026**, as a result of the limitation under paragraph (3) of this subsection shall be treated as having been made in the next succeeding taxable year and, subject to the \$2,500 annual limitation for each prepaid contract, may be carried over to succeeding taxable years until the full amount of the advance payments has been allowed as a subtraction.

(II) **THE AMOUNT DISALLOWED AS A SUBTRACTION UNDER THIS SUBSECTION FOR ANY TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2025, AS A RESULT OF THE LIMITATION UNDER PARAGRAPH (3) OF THIS SUBSECTION SHALL BE TREATED AS HAVING BEEN MADE IN THE NEXT SUCCEEDING TAXABLE YEAR AND, SUBJECT TO THE \$4,850 ANNUAL LIMITATION FOR EACH PREPAID CONTRACT, MAY BE CARRIED OVER TO SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE ADVANCE PAYMENTS HAS BEEN ALLOWED AS A SUBTRACTION.**

(o) (1) (i) In this subsection the following words have the meanings indicated.

(ii) “Account holder” means an account holder as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

(iii) “Contributor” means an individual who contributes funds to a Maryland Senator Edward J. Kasemeyer College Investment Plan or Broker–Dealer College Investment Plan account under Title 18, Subtitle 19A or Subtitle 19B of the Education Article.

(iv) “Investment account” means an investment account as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

(v) “Qualified designated beneficiary” means a qualified designated beneficiary as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

(2) (i) Except as provided in subparagraph (ii) of this paragraph and subject to the limitation under paragraph (3) of this subsection, the subtraction under subsection (a) of this section includes the amount contributed by an account holder or a contributor during the taxable year to an investment account.

(ii) The subtraction under subparagraph (i) of this paragraph may not be taken if the account holder received a State contribution under § 18–19A–04.1 of the Education Article during the taxable year.

(3) (i) Subject to paragraph (4) of this subsection, for each account holder or contributor for all investment accounts maintained in the Maryland Senator Edward J. Kasemeyer College Investment Plan and the Maryland Broker–Dealer College Investment Plan for the same qualified designated beneficiary, the subtraction under paragraph (2) of this subsection may not exceed [\$2,500]:

1. for any taxable year **BEGINNING BEFORE JANUARY 1, 2026, \$2,500** per qualified designated beneficiary; AND

2. **FOR ANY TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2025, \$4,850 PER QUALIFIED DESIGNATED BENEFICIARY.**

(ii) For purposes of the limitation under this paragraph, each spouse on a joint return shall be treated separately.

(4) (I) Subject to the \$2,500 annual limitation for each account holder or contributor for each qualified designated beneficiary, the amount disallowed as a subtraction under this subsection for any taxable year **BEGINNING BEFORE JANUARY 1, 2026**, as a result of the limitation under paragraph (3) of this subsection may be carried over until used to the next 10 succeeding taxable years as a subtraction.

(II) **SUBJECT TO THE \$4,850 ANNUAL LIMITATION FOR EACH ACCOUNT HOLDER OR CONTRIBUTOR FOR EACH QUALIFIED DESIGNATED**

1 BENEFICIARY, THE AMOUNT DISALLOWED AS A SUBTRACTION UNDER THIS
2 SUBSECTION FOR ANY TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2025, AS A
3 RESULT OF THE LIMITATION UNDER PARAGRAPH (3) OF THIS SUBSECTION MAY BE
4 CARRIED OVER UNTIL USED TO THE NEXT 10 SUCCEEDING TAXABLE YEARS AS A
5 SUBTRACTION.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
7 1, 2025.