

SENATE BILL 108

Q3, F5

9lr1365
CF 9lr0979

By: **Senator Reilly**

Introduced and read first time: January 15, 2019

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification for Qualified Higher Education**
3 **Expenses – Annual Limitation**

4 FOR the purpose of increasing the maximum amount allowed in a taxable year as a
5 subtraction modification under the Maryland income tax for advance payments of
6 certain qualified higher education expenses made by an account holder or a
7 contributor under a Maryland Senator Edward J. Kasemeyer Prepaid College Trust
8 contract; providing for the application of this Act; and generally relating to a
9 subtraction modification for qualified higher education expenses.

10 BY repealing and reenacting, without amendments,
11 Article – Tax – General
12 Section 10–208(a)
13 Annotated Code of Maryland
14 (2016 Replacement Volume and 2018 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Tax – General
17 Section 10–208(n)
18 Annotated Code of Maryland
19 (2016 Replacement Volume and 2018 Supplement)

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

22 **Article – Tax – General**

23 10–208.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 determine Maryland adjusted gross income.

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

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

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

9 (iv) “Qualified higher education expenses” has the meaning stated in
10 § 529 of the Internal Revenue Code.

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

15 (3) Subject to paragraph (4) of this subsection, for each prepaid contract,
16 the subtraction under paragraph (2) of this subsection may not exceed [~~\$2,500~~] **\$5,000** for
17 any taxable year.

18 (4) The amount disallowed as a subtraction under this subsection for any
19 taxable year as a result of the limitation under paragraph (3) of this subsection shall be
20 treated as having been made in the next succeeding taxable year and, subject to the
21 [~~\$2,500~~] **\$5,000** annual limitation for each prepaid contract, may be carried over to
22 succeeding taxable years until the full amount of the advance payments has been allowed
23 as a subtraction.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
25 1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018.