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Senate Budget and Taxation Committee

*SB 374 – Income Tax Subtraction Modification – College Savings Plans -
Contributions*

Tina Bjarekull, President
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MICUA submits this written testimony in support of Senate Bill 374, which expands access and opportunity to higher education for Maryland students by allowing each person who contributes funds to a qualified savings plan to claim the subtraction modification.

SB 374 would encourage more Marylanders to contribute to Maryland's qualified tuition plans, the Maryland College Investment Plan and the Maryland Prepaid College Trust. Qualified tuition plans, also known as 529 plans, are a critical investment vehicle for college savings. The plans have been particularly successful nationwide as a result of the State income tax benefits that are available through the plans. 529 plans provide families a flexible and low maintenance investment mechanism to save for college.

Not all Maryland families share the same traits and characteristics. As of the last Census, only 20% of Maryland households are comprised of married couples with children, and 33% of all family households with children in Maryland were single-parent households. Furthermore, the percentage of three generation households has been growing. SB 374 recognizes this complexity and allows for mentors, aunts, uncles, ex-spouses, and grandparents to receive a modest tax benefit for contributing to the future higher education of a loved one.

College access and affordability is critical for Maryland to keep its competitive advantage. Maryland leaders recognize that Maryland's high quality system of higher education helps to maintain and strengthen that advantage. SB 374 incentivizes mentors, friends, and families to make an investment in the future of a young Maryland resident so that when the time comes, Maryland students are able to pursue a higher education at the Maryland institution that is the best fit for them to achieve their full potential.

For these reasons we urge a favorable report of SB 374.