Maryland PTA is the state’s oldest and largest child advocacy organization that serves as a powerful voice for all children, a relevant resource for families, schools and communities and a strong advocate for public education. We represent thousands of volunteer members in 900 public schools and we are comprised of families, students, teachers, administrators, and business as well as community leaders devoted to the educational success of children and family engagement in Maryland. For nearly 104 years, our mission has been to make every child’s potential a reality by engaging and empowering families and communities to advocate for all children.

Maryland PTA submits this testimony in support of House Bill 525, a bill concerning state income tax subtraction modification for contributions to and withdrawals from 529 plans for elementary and secondary education expenses. This bill prohibits an individual from claiming the State income subtraction modification for contributions made to the Maryland College Investment Plan if the contributed funds are used for elementary or secondary education expenses as allowed under the Internal Revenue Code (IRC). The bill also prohibits an individual from claiming a subtraction modification for a distribution from the Maryland College Investment Plan or Maryland Prepaid Trust if the distribution is used for these expenses.

This bill would, in light of the federal Tax Cuts and Jobs Act of 2017 (Public Law 115-97), limit the tax advantages associated with contributions made to and withdrawals from 529 college savings plans that are for K-12 expenditures within private schools. Prior to the passage of Public Law 115-97, 529 plans in Maryland were exclusively used for expenses associated with post-secondary institutions. Any contributions to these plans provided a tax benefit of up to $2,500 in a subtraction modification. Furthermore, withdrawals from these plans for expenses associated with post-secondary costs to education were not taxable. Hence, the original intent of those plans was to save for and spend on the acquisition of post-secondary education.

In effect, this bill halts an underhanded approach of providing public funds to private institutions but in an inverse manner, via an opportunity to not pay one’s fair share in taxes, and thus, deplete public funding for public schools. Maryland PTA opposes tax credits and deductions for elementary and secondary school tuition and other education-related expenses for public and nonpublic school students. Thus, the support that Maryland PTA has of HB 525 directly relates to our support to equip public schools with the funding and tools necessary to ensure that every child has the opportunity to reach their full potential. As a strong advocate of public education, Maryland PTA is adamantly opposed to privatization of education through vouchers, tax incentives, tuition scholarships, etc. and is deeply concerned that the expansion of 529 plans to include the option to expropriate funds to cover primary and secondary education at private schools is a backdoor voucher that further illustrates a lack of prioritization of public education.
Currently, Maryland is one of 33 states to give tax breaks to investments into 529 accounts that are separate from and additional to federal tax incentives for 529 investments. Maryland PTA deems it important to ensure that Maryland, a state with one of the best public-school systems in the country and consisting of substantial numbers of struggling students in need of extra support, stipulate a clear delineation between state level tax breaks for investment in 529 plans for college savings vs. private school primary and secondary school expenses. It is critical that Maryland legislate a refusal to sanction in its tax code state level tax breaks surrounding investments in 529 plans for K-12 private school expenses that could lead to decreased participation and enrollment in public schools. Such an occurrence could erode the quality of free public education of which is where nationally 90% of an increasingly diverse student body receive their primary and secondary education.

Following our mission to advocate for all children, Maryland PTA is also in support of HB 525 out of concern about iniquitous distribution of tax breaks resulting from the expansion of 529 plans. According to the Government Accountability Office, in 2010 less than 3% of families contributed to and fewer than 10% had a 529 account. Those families with an account had a median income of about three times the median income of those who did not, with families able to fork away and save large lump sums of money benefiting disproportionately. As it is, in 2017, 57% of Americans did not have the resources to come up with $500 in an emergency, much less save large sums of money in order to take full advantage of a 529 account. And that income inequity is expected to remain through the expansion of 529 plans, exacerbating tax advantages for the already relatively affluent, something that is counterintuitive to the Maryland PTA’s goals of ensuring the success of all students.

In addition to supporting HB 525 out of a deep concern regarding the ramifications following the expansion of 529 accounts, this bill minimizes incentives to reduce public school enrollment as well as increase income inequities. Maryland PTA, as a staunch defender of public education, supports HB 525 as a bulwark against the potential state revenue loss that could accrue if the same tax breaks that apply to funds for traditional college savings in 529 accounts, savings that are meant to be held and grown over long periods of time, also apply to K-12 funds put forward into 529 accounts for private school expenses, funds that will likely have a shorter shelf life. For instance, it is foreseeable that wealthier parents who contribute $2,500 or more into a 529 account for a private school tuition for a few of weeks will receive a $2,500 tax break, thus draining the state’s revenue pool, including the revenue pool for public education, without encouraging savings of added interest from contributions over time, the original intent of 529 tax advantages. House Bill 525 would eliminate that ability to use 529 accounts for shorter duration investments and, in doing so, would preserve state revenue for maintaining and increasing public school efficacy.

For the reasons above, Maryland PTA supports House Bill 525 and recommends a favorable report.

Testimony is presented on the behalf of

_Latisha Corey_

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