



House Bill 131

Income Tax Subtraction Modification - College Savings Plan Accounts - Contributions (College Savings Tax Enhancement Act)

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: January 31, 2018

From: Barbara Zektick

The Maryland Association of Counties (MACo) **OPPOSES** HB 131. This bill expands the existing subtraction modification for college savings plans from \$2,500 to \$5,000.

In general, MACo argues that local tax structures should remain a local prerogative. MACo is concerned with the carryover county fiscal effects of this legislation and would prefer approaches that provide local autonomy to determine the best way to provide tax incentives, rather than those that mandate reductions in local revenue sources.

MACo suggests that consideration be given instead to providing state tax credits, which do not mandate the depletion of resources from all counties for education, public safety, and needed community services. State tax credits not only relieve counties from shouldering the burden of the costs for these benefits, but they also provide a benefit to eligible filers who do not itemize their deductions on their returns.

This year, counties are particularly reluctant to support additional subtraction modifications on a piecemeal basis, because it is impossible to truly forecast the real repercussions of federal tax reform. Counties expect the General Assembly to make significant alterations to Maryland's tax structure this year to address these impacts. Counties support that complex effort – and have no expectation to receive the significant, full windfall forecasted by the Comptroller's recently released *60-Day Report*. MACo supports a holistic approach to addressing this quandary as opposed to an approach that eats away at the windfall in small bites.

The effects of tax reform are particularly relevant for this bill, because the federal legislation significantly broadened applicability of savings plans targeted in this bill – which means that the true fiscal impact of HB 131 is especially unforeseeable at this time.

For these reasons, MACo urges the Committee to give HB 131 an **UNFAVORABLE** report.