



formerly College Savings Plans of Maryland

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Frequently Asked Questions

What is a 529 plan?

A 529 plan is a tax-advantaged investment plan designed to allow adults or children to save for higher education expenses. 529 plans are named after Section 529 of the Internal Revenue Code, which created these plans.

Are there different types of 529 plans?

Yes, Maryland 529 offers two types of plans: the Maryland Prepaid College Trust (MPCT) and the Maryland College Investment Plan (MCIP). The Maryland Prepaid College Trust allows you to lock in tomorrow's tuition at today's prices. The Maryland College Investment Plan allows you to invest money that can be used for future college expenses such as tuition, fees, room and board, and books.

Who can open a 529 account?

Anyone can open a 529 plan for a beneficiary as long as both the account holder and beneficiary are U.S. citizens or resident aliens. Usually, account holders are parents of a child, but they can also be grandparents, an aunt or uncle, or anyone who would like to help fund another person's education. Account holders can even include partnerships, corporations, trusts, estates or associations. You can also use a 529 savings plan to save for your own educational expenses.

How do the Plans work?

529 plans grow tax-deferred and any earnings are also federally tax-free when used toward eligible college expenses. Learn about the unique [Tax Benefits](#) that Maryland 529 offers.

Are there any tax benefits?

Maryland 529 offers federal and hard-to-beat Maryland State tax benefits, starting with a Maryland State income deduction of up to \$2,500 per year per MPCT account and/or MCIP beneficiary, for Maryland taxpayers. Any earnings grow tax-deferred and are Maryland and federally tax-free when used toward eligible college expenses.*

Does my child have to attend a Maryland public college?

No. Depending on the plan, you can use your accounts toward the costs of nearly any public or private, two-year or four-year college nationwide, as long as the student is enrolled in a U.S.-accredited college, university, or technical school that is eligible to participate in U.S. Department of Education student financial aid programs. To find out if a particular school is an eligible institution, search for a school code at www.fafsa.ed.gov. Maryland 529 can also be

used for nearly any graduate school, medical school or law school, among others, nationwide.

What happens if my child receives a scholarship or grant?

There are several options you can choose from:

- Use your account to pay any tuition and fees not covered by the scholarship or grant
- Apply your account toward other Qualified Higher Education Expenses such as room and board, books, or course-specific fees (Prepaid College Trust accounts are first used to pay remaining tuition and mandatory fees)
- Transfer your account to another member of the student’s family
- Keep any unused funds or benefits in your account to pay for future college expenses, including graduate school
- Withdraw any unused funds or benefits up to the amount of the scholarship or grant without penalty, although income taxes on earnings may apply

Can I open more than one account per beneficiary?

Yes. You can open multiple accounts per beneficiary. In the Maryland Prepaid College Trust you can purchase contracts for up to seven years of college per beneficiary with no more than five years in a single account. In the Maryland College Investment Plan, you can invest in one or more of the different investment options offered. Keep in mind you cannot have multiple beneficiaries on the same account.

If we enroll in Maryland 529, can we still apply for financial aid?

Yes. Participation in Maryland 529 does not limit your ability to apply for financial aid or a student’s receipt of merit-based financial aid, including academic or athletic scholarships. Like most investments, however, it may affect your ability to receive need-based financial aid, although the federal financial aid formula currently counts – at most – only 5.6% of a parent’s non-retirement assets to be used for college expenses each year. This means that if you have saved \$5,000 for college, the aid amount you may be eligible for would be reduced by only \$280. Since the majority of federal financial aid is offered in the form of loans, any college savings can help to reduce reliance on student loans.

Can I change the child who is listed on the account?

Yes. You can transfer your account without any taxes or penalties to any member of the beneficiary’s (child’s) family as defined by the Internal Revenue Service. This definition includes the beneficiary’s sibling and other relatives, by blood or marriage of the original beneficiary. Prepaid College Trust accounts must have at least one semester of remaining benefits in order to change the beneficiary.

What if my child does not go to college immediately after high school?

Maryland 529 does not require the child to attend college immediately after graduating high school. The Prepaid College Trust allows up to a 10-year delay (plus time served in active U.S. military service) before you have to start using your benefits. With the College Investment Plan, there are no restrictions on when the account can be used to pay for Qualified Higher Education Expenses.

But with both Plans, you also have the following options:

- Transfer your account to another member of the beneficiary's family
- Take a distribution or reduced refund from your account. (Plan penalties, federal tax penalties and/or income taxes on earnings may apply. See the Disclosure Statements for additional details.)

What if the beneficiary or I move out of Maryland after I open an account?

You can continue your account, and your beneficiary can still use the account to attend any eligible college or graduate school in the country. However, if you move out of state and no longer pay Maryland income tax, you will no longer receive the Maryland State income deduction on any future contributions. With the Prepaid College Trust, if the child is no longer a Maryland resident but decides to attend a Maryland public college, we will still pay the full in-state or in-county tuition and mandatory fees. You or the child would be responsible for any out-of-state tuition charges. If you also have a College Investment Plan account, you could apply it toward any other eligible expenses.

What if I experience a financial hardship and need to withdraw the funds for a purpose other than college expenses?

You may request a distribution (from the MCIP) or refund (from the MPCT) at any time. If the funds are not used for eligible college expenses, Maryland State and federal taxes, plus a 10% federal penalty, will apply to any earnings portion of your distribution or refund. For details about specific tax and other penalties for each Plan, please read the Key Federal Tax Issues and Key State Tax Issues sections in each Plan's Disclosure Statements available online at www.Maryland529.com.

What if I already have a 529 plan? Can I transfer my account to Maryland 529?

Yes. We will accept a rollover of your account with another 529 plan into Maryland 529. To complete a rollover, simply submit an Enrollment Form for your desired Plan, along with a Rollover Form. Both forms are available on our website or you may call us for assistance. You may also need to contact the sponsor of your current 529 plan for additional details on rolling over your account.

When can I enroll a newborn?

A newborn infant can be enrolled in either Plan from the date of his/her birth. An infant under the age of one year can be enrolled in the Prepaid College Trust any time during the year until his/her first birthday at prices that are in effect when the enrollment is completed. You may also enroll in the College Investment Plan and name yourself as the beneficiary in anticipation of the birth or adoption of a child or grandchild.

Do my contributions to Maryland 529 qualify as a gift under federal law?

Yes. The IRS provides that payments to an account in Maryland 529 are completed gifts for federal gift tax purposes. However, there is an annual gift tax exclusion, under which gifts are not taxed (currently \$14,000 a year). Under certain conditions, you can make a one-time gift to a 529 account that exceeds the gift tax exclusion and then average the gift over five years so that gift taxes are not applied. Please consult your tax advisor for more information.

** Please carefully read the Enrollment Kit , which describes the investment objectives, risks, expenses, and other important information that you should consider before you invest in Maryland 529. The Enrollment Kit is available online or by calling 888.4MD.GRAD (463.4723). Also, if you or your beneficiary live outside of Maryland, you should consider before investing whether your state or your beneficiary's state offer state tax or other benefits for investing in its 529 plan. Tax benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors, as applicable.*

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