

(2) THE EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE subtraction under subsection (a) of this section includes any amount included in federal adjusted gross income as a result of a ~~benefit furnished~~ DISTRIBUTION to:

(I) a QUALIFIED beneficiary pursuant to a [higher education investment] PREPAID contract under the Maryland [Higher Education Investment Program] PREPAID COLLEGE TRUST; OR

(II) A QUALIFIED DESIGNATED BENEFICIARY FROM AN INVESTMENT ACCOUNT UNDER THE MARYLAND COLLEGE INVESTMENT PLAN.

(3) The subtraction under paragraph (2) of this subsection does not apply to:

(I) a refund under the Maryland [Higher Education Investment Program] PREPAID COLLEGE TRUST ~~unless the refund is applied on behalf of the beneficiary to the cost of tuition at an institution of higher education~~ OR THE MARYLAND COLLEGE INVESTMENT PLAN; OR

(II) A DISTRIBUTION THAT IS NOT USED BY THE QUALIFIED BENEFICIARY OR QUALIFIED DESIGNATED BENEFICIARY FOR QUALIFIED HIGHER EDUCATION EXPENSES.

10-208.

(a) In addition to the modification under § 10-207 of this subtitle, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

(n) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(II) "PURCHASER" HAS THE MEANING STATED IN § 18-1901 OF THE EDUCATION ARTICLE.

(III) "QUALIFIED HIGHER EDUCATION EXPENSES" HAS THE MEANING STATED IN § 529 OF THE INTERNAL REVENUE CODE.

(2) The subtraction under subsection (a) of this section includes the amount of advance payments of ~~undergraduate tuition~~ QUALIFIED HIGHER EDUCATION EXPENSES made by ~~an individual~~ A PURCHASER during the taxable year as provided under a [higher education investment] PREPAID contract in accordance with the Maryland [Higher Education Investment Program] PREPAID COLLEGE TRUST.

(2) (3) Subject to paragraph (3) (4) of this subsection, for each [higher education investment] PREPAID contract, the subtraction under paragraph (1) (2) of this subsection may not exceed \$2,500 for any taxable year.

(3) (4) The amount disallowed as a subtraction under this subsection for any taxable year as a result of the limitation under paragraph (2) (3) of this subsection shall be treated as having been made in the next succeeding taxable year and, subject to the \$2,500 annual limitation for each [higher education investment]