

unappropriated. The fund may consist of real property, in kind contributions, or funds expended prior to the effective date of this Act. In case of any dispute as to the amount of the matching fund or what money or assets may qualify as matching funds, the Board of Public Works shall determine the matter and the Board's decision is final. The grantee has until June 1, [2002] 2004, to present evidence satisfactory to the Board of Public Works that a matching fund will be provided. If satisfactory evidence is presented, the Board shall certify this fact and the amount of the matching fund to the State Treasurer, and the proceeds of the loan equal to the amount of the matching fund shall be expended for the purposes provided in this Act. Any amount of the loan in excess of the amount of the matching fund certified by the Board of Public Works shall be canceled and be of no further effect.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2002.

May 15, 2002

The Honorable Casper R. Taylor, Jr.
Speaker of the House
State House
Annapolis MD 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 437 - Qualified Tuition Programs - Income Tax Treatment.

House Bill 437 makes two significant changes to the Maryland Prepaid College Trust and the Maryland College Investment Plan. The legislation provides for an income tax subtraction modification of up to \$2,500 per contributor per beneficiary for contributions to a qualified prepaid tuition program or higher education investment program. Secondly, the bill expands the types of programs that qualify for the subtraction modification to include college savings programs sponsored by other states. Under current law, this subtraction modification is limited to contributions made to Maryland programs only.

The Maryland Prepaid College Trust was created in 1997 to assist Maryland families saving for college. Taxpayers who make a contribution to the program were allowed to take a subtraction modification for a certain amount for each child's account. The College Investment Plan was created in 2001, and similar subtraction modification provisions were made applicable to contributions to these accounts. Unfortunately, the Maryland Higher Education Investment Board interpreted this provision as allowing a \$2,500 subtraction for each investment option offered by the Plan, rather than each account holder. In other words, an individual could invest \$2,500 in each of the 10 investment options offered by the Board for one child, and take a \$25,000 deduction. This was clearly not my intent nor the intent of the General Assembly.

During the 2002 Session, House Bill 437 was introduced to clarify the limit of the State income tax deduction. I agreed with the General Assembly's intentions and supported this measure. However, the bill was amended in committee to expand the subtraction modification to any state sponsored Section 529 college savings plan. This