

Congress of the United States
Washington, DC 20515

October 4, 2023

The Honorable Daniel Werfel
Commissioner
Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, NW
Washington, D.C. 20224

Dear Commissioner Werfel:

Thank you for your dedication to improving and simplifying the tax process for Americans. For many Americans, the act of filing and paying federal taxes is their most direct and memorable engagement with our government. We write to you today about an unanticipated tax issue affecting many Marylanders resulting from a system error in Maryland 529 Plan accounts. We ask your assistance with alleviating this unintended tax consequence for our constituents and respectfully urge you to issue a revenue ruling or other guidance to allow Maryland taxpayers to execute additional rollovers for beneficiaries during this calendar year to account for fixes in the Maryland 529 plans, without being taxed and potentially subject to a 10% penalty.

Like many states, Maryland offers a 529 Savings Plan to help families save and pay for their children's college tuitions. Maryland also offers under Section 529 a prepaid college plan known as the Prepaid College Trust (PCT), which allows beneficiaries to lock in future in-state tuition rates when they open the account.¹ In early 2022, Maryland 529, the state agency administering 529 plans, identified an accounting error in the PCT accounts. In order to safeguard trust assets, the state agency in its role as fiduciary froze access to account earnings in April of 2022. State data indicates that as many as 31,000 PCT accounts were affected.² As of August 21, 2023, system issues were resolved and account holders regained access to their full balance online, including earnings.³

In testimonies provided to the state, Maryland parents described various frustrations with the PCT accounting error such as losing access to their account earnings and having to finance their children's college tuitions without a clear understanding of their true account balances. One parent who set aside \$31,221 for his daughter's college fund 20 years ago was delighted to find out the value had appreciated to \$81,344.96 by December of 2021. He made a withdrawal in January of 2022, and by December of 2022, the account's value plummeted to only \$8,218—over \$50,000 appeared to have simply vanished. Numerous other parents reported similar issues with account discrepancies. Some parents testified they had to drain their savings or refinance their homes to cover tuition payments as a result of losing access to their full account balances and the uncertainty surrounding their account balances. Starting college is often a joyous moment for both students and parents, filled with excitement and great memories. Unfortunately,

¹ <https://maryland529.com/About-Us> (Note: The PCT is closed to new enrollees.)

² <https://www.wbaltv.com/article/maryland-529-college-plan-6-percent-earnings-rate/44494438>

³ <https://www.treasurer.state.md.us/media/178937/final%20decision%20document%2007072023.pdf>

the PCT account errors caused considerable financial and emotional hardship on many parents and students.

As you know, pursuant to 26 U.S.C. § 529(c)(3)(C)(iii), owners of 529 accounts may initiate a single 529 plan rollover per beneficiary within a 12-month period. Executing more than one rollover within this period would make the additional rollovers taxable and potentially subject to a 10% penalty. Due to unique and unexpected circumstances, many Marylanders have already executed a rollover but need an additional opportunity to roll over their 529 PCT accounts. We ask you to help alleviate this situation facing many of our constituents. **We respectfully request that you use your authority to issue a revenue ruling or other guidance that permits affected Marylanders to execute additional rollovers from their 529 PCT accounts without them being taxable and potentially subject to the 10% penalty.**

We appreciate your thoughtful consideration and attention to this issue and stand ready to work with you in administering this relief to Maryland taxpayers. Thank you again for your commitment to serving American taxpayers, and we look forward to your response.

Very truly yours,



Jamie Raskin
Member of Congress



Chris Van Hollen
United States Senator



David J. Trone
Member of Congress



C. A. Dutch Ruppertsberger
Member of Congress



John P. Sarbanes
Member of Congress