

FIRST REGULAR SESSION

[PERFECTED]

# HOUSE BILL NO. 627

## 101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE PATTERSON.

0481H.01P

DANA RADEMAN MILLER, Chief Clerk

### AN ACT

To repeal sections 166.400, 166.410, 166.415, 166.420, 166.425, 166.435, 166.440, 166.456, 166.502, and 209.610, RSMo, and to enact in lieu thereof eleven new sections relating to savings accounts for education expenses.

*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Sections 166.400, 166.410, 166.415, 166.420, 166.425, 166.435, 166.440, 2 166.456, 166.502, and 209.610, RSMo, are repealed and eleven new sections enacted in lieu 3 thereof, to be known as sections 166.400, 166.410, 166.415, 166.420, 166.425, 166.435, 4 166.440, 166.456, 166.461, 166.502, and 209.610, to read as follows:

2 166.400. Sections 166.400 to 166.455 shall be known and may be cited as the "Missouri 2 Education ~~[Savings]~~ Program".

2 166.410. ~~[Definitions.]~~ As used in sections 166.400 to 166.455, except where the 2 context clearly requires another interpretation, the following terms mean:

3 (1) "Beneficiary", any individual designated by a participation agreement to benefit from 4 payments for qualified education expenses at an eligible educational institution;

5 (2) "Benefits", the payment of qualified education expenses on behalf of a beneficiary 6 from a savings account during the beneficiary's attendance at an eligible educational institution;

7 (3) "Board", the Missouri education ~~[savings]~~ program board established in section 8 166.415;

9 (4) "Eligible educational institution", an ~~[institution of postsecondary education]~~ **eligible** 10 **educational institution** as defined in Section ~~[529(e)(5)]~~ **529** of the Internal Revenue Code, ~~[and~~

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

11 ~~institutions of elementary and secondary education as provided in Sections 529(c)(7) and~~  
12 ~~529(e)(3) of the Internal Revenue Code,] as amended;~~

13 (5) "Financial institution", a bank, insurance company or registered investment company;

14 (6) "Internal Revenue Code", the Internal Revenue Code of 1986, as amended;

15 (7) "Missouri education [savings] program" or "[savings] program", the program created  
16 pursuant to sections 166.400 to 166.455;

17 (8) "Participant", a person who has entered into a participation agreement pursuant to  
18 sections 166.400 to 166.455 for the advance payment of qualified education expenses on behalf  
19 of a beneficiary;

20 (9) "Participation agreement", an agreement between a participant and the board pursuant  
21 to and conforming with the requirements of sections 166.400 to 166.455; and

22 (10) "Qualified higher education expenses" or "qualified education expenses", the  
23 qualified costs of tuition and fees and other expenses for attendance at an eligible educational  
24 institution, as defined in Section ~~[529(e)(3)]~~ 529 of the Internal Revenue Code, as amended.

166.415. 1. There is hereby created the "Missouri Education [Savings] Program". The  
2 program shall be administered by the Missouri education [savings] program board which shall  
3 consist of the Missouri state treasurer who shall serve as chairman, the commissioner of the  
4 department of higher education and workforce development, the commissioner of education, the  
5 commissioner of the office of administration, the director of the department of economic  
6 development, two persons having demonstrable experience and knowledge in the areas of  
7 finance or the investment and management of public funds, one of whom is selected by the  
8 president pro tem of the senate and one of whom is selected by the speaker of the house of  
9 representatives, and one person having demonstrable experience and knowledge in the area of  
10 banking or deposit rate determination and placement of depository certificates of deposit or other  
11 deposit investments. Such member shall be appointed by the governor with the advice and  
12 consent of the senate. The three appointed members shall be appointed to serve for terms of four  
13 years from the date of appointment, or until their successors shall have been appointed and shall  
14 have qualified. The members of the board shall be subject to the conflict of interest provisions  
15 of section 105.452. Any member who violates the conflict of interest provisions shall be  
16 removed from the board. In order to establish and administer the [savings] program, the board,  
17 in addition to its other powers and authority, shall have the power and authority to:

18 (1) Develop and implement the Missouri education [savings] program and,  
19 notwithstanding any provision of sections 166.400 to 166.455 to the contrary, the [savings]  
20 programs and services consistent with the purposes and objectives of sections 166.400 to  
21 166.455;

22 (2) Promulgate reasonable rules and regulations and establish policies and procedures  
23 to implement sections 166.400 to 166.455, to permit the [savings] program to qualify as a  
24 "qualified state tuition program" pursuant to Section 529 of the Internal Revenue Code and to  
25 ensure the [savings] program's compliance with all applicable laws;

26 (3) Develop and implement educational programs and related informational materials  
27 for participants, either directly or through a contractual arrangement with a financial institution  
28 for investment services, and their families, including special programs and materials to inform  
29 families with young children regarding methods for financing education and training;

30 (4) Enter into agreements with any financial institution, the state or any federal or other  
31 agency or entity as required for the operation of the [savings] program pursuant to sections  
32 166.400 to 166.455;

33 (5) Enter into participation agreements with participants;

34 (6) Accept any grants, gifts, legislative appropriations, and other moneys from the state,  
35 any unit of federal, state, or local government or any other person, firm, partnership, or  
36 corporation for deposit to the account of the [savings] program;

37 (7) Invest the funds received from participants in appropriate investment instruments to  
38 achieve long-term total return through a combination of capital appreciation and current income;

39 (8) Make appropriate payments and distributions on behalf of beneficiaries pursuant to  
40 participation agreements;

41 (9) Make refunds to participants upon the termination of participation agreements  
42 pursuant to the provisions, limitations, and restrictions set forth in sections 166.400 to 166.455  
43 and the rules adopted by the board;

44 (10) Make provision for the payment of costs of administration and operation of the  
45 [savings] program;

46 (11) Effectuate and carry out all the powers granted by sections 166.400 to 166.455, and  
47 have all other powers necessary to carry out and effectuate the purposes, objectives and  
48 provisions of sections 166.400 to 166.455 pertaining to the [savings] program; and

49 (12) Procure insurance, guarantees or other protections against any loss in connection  
50 with the assets or activities of the [savings] program.

51 2. Any member of the board may designate a proxy for that member who will enjoy the  
52 full voting privileges of that member for the one meeting so specified by that member. No more  
53 than three proxies shall be considered members of the board for the purpose of establishing a  
54 quorum.

55 3. Four members of the board shall constitute a quorum. No vacancy in the membership  
56 of the board shall impair the right of a quorum to exercise all the rights and perform all the duties

57 of the board. No action shall be taken by the board except upon the affirmative vote of a  
58 majority of the members present.

59 4. The board shall meet within the state of Missouri at the time set at a previously  
60 scheduled meeting or by the request of any four members of the board. Notice of the meeting  
61 shall be delivered to all other trustees in person or by depositing notice in a United States post  
62 office in a properly stamped and addressed envelope not less than six days prior to the date fixed  
63 for the meeting. The board may meet at any time by unanimous mutual consent. There shall be  
64 at least one meeting in each quarter.

65 5. The funds shall be invested only in those investments which a prudent person acting  
66 in a like capacity and familiar with these matters would use in the conduct of an enterprise of a  
67 like character and with like aims, as provided in section 105.688. For new contracts entered into  
68 after August 28, 2012, board members shall study investment plans of other states and contract  
69 with or negotiate to provide benefit options the same as or similar to other states' qualified plans  
70 for the purpose of offering additional options for members of the plan. The board may delegate  
71 to duly appointed investment counselors authority to act in place of the board in the investment  
72 and reinvestment of all or part of the moneys and may also delegate to such counselors the  
73 authority to act in place of the board in the holding, purchasing, selling, assigning, transferring  
74 or disposing of any or all of the securities and investments in which such moneys shall have been  
75 invested, as well as the proceeds of such investments and such moneys. Such investment  
76 counselors shall be registered as investment advisors with the United States Securities and  
77 Exchange Commission. In exercising or delegating its investment powers and authority,  
78 members of the board shall exercise ordinary business care and prudence under the facts and  
79 circumstances prevailing at the time of the action or decision. No member of the board shall be  
80 liable for any action taken or omitted with respect to the exercise of, or delegation of, these  
81 powers and authority if such member shall have discharged the duties of ~~[his or her]~~ **the**  
82 **member's** position in good faith and with that degree of diligence, care and skill which a prudent  
83 person acting in a like capacity and familiar with these matters would use in the conduct of an  
84 enterprise of a like character and with like aims.

85 6. No investment transaction authorized by the board shall be handled by any company  
86 or firm in which a member of the board has a substantial interest, nor shall any member of the  
87 board profit directly or indirectly from any such investment.

88 7. No trustee or employee of the ~~[savings]~~ program shall receive any gain or profit from  
89 any funds or transaction of the ~~[savings]~~ program. Any trustee, employee or agent of the  
90 ~~[savings]~~ program accepting any gratuity or compensation for the purpose of influencing such  
91 trustee's, employee's or agent's action with respect to the investment or management of the funds

92 of the [savings] program shall thereby forfeit the office and in addition thereto be subject to the  
93 penalties prescribed for bribery.

166.420. 1. The board may enter into [savings] program participation agreements with  
2 participants on behalf of beneficiaries pursuant to the provisions of sections 166.400 to 166.455,  
3 including the following terms and conditions:

4 (1) A participation agreement shall stipulate the terms and conditions of the [savings]  
5 program in which the participant makes contributions;

6 (2) A participation agreement shall specify the method for calculating the return on the  
7 contribution made by the participant;

8 (3) The execution of a participation agreement by the board shall not guarantee that the  
9 beneficiary named in any participation agreement will be admitted to an eligible educational  
10 institution, be allowed to continue to attend an eligible educational institution after having been  
11 admitted or will graduate from an eligible educational institution;

12 (4) A participation agreement shall clearly and prominently disclose to participants the  
13 risk associated with depositing moneys with the board;

14 (5) Participation agreements shall be organized and presented in a way and with  
15 language that is easily understandable by the general public; and

16 (6) A participation agreement shall clearly and prominently disclose to participants the  
17 existence of any load charge or similar charge assessed against the accounts of the participants  
18 for administration or services.

19 2. The board shall establish the maximum amount ~~[which]~~ **that** may be contributed  
20 annually ~~[by a participant]~~ with respect to a beneficiary.

21 3. The board shall establish a total contribution limit for savings accounts established  
22 under the [savings] program with respect to a beneficiary to permit the [savings] program to  
23 qualify as a "qualified state tuition program" pursuant to Section 529 of the Internal Revenue  
24 Code. No contribution may be made to a savings account for a beneficiary if it would cause the  
25 balance of all savings accounts of the beneficiary to exceed the total contribution limit  
26 established by the board. The board may establish other requirements that it deems appropriate  
27 to provide adequate safeguards to prevent contributions on behalf of a beneficiary from  
28 exceeding what is necessary to provide for the qualified education expenses of the beneficiary.

29 4. The board shall establish the minimum length of time that contributions and earnings  
30 must be held by the [savings] program to qualify pursuant to section 166.435. Any contributions  
31 or earnings that are withdrawn or distributed from a savings account prior to the expiration of  
32 the minimum length of time, as established by the board, shall be subject to a penalty pursuant  
33 to section 166.430.

166.425. All money paid by a participant in connection with participation agreements shall be deposited as received and shall be promptly invested by the board. Contributions and earnings thereon accumulated on behalf of participants in the [savings] program may be used, as provided in the participation agreement, for qualified education expenses. Such contributions and earnings shall not be considered income for purposes of determining a participant's eligibility for financial assistance under any state student aid program.

166.435. 1. Notwithstanding any law to the contrary, the assets of the [savings] program held by the board, the assets of any deposit program authorized in section 166.500, and the assets of any qualified tuition [savings] program established pursuant to Section 529 of the Internal Revenue Code and any income therefrom shall be exempt from all taxation by the state or any of its political subdivisions. Income earned or received from the [savings] program, deposit, or other qualified tuition [savings] programs established under Section 529 of the Internal Revenue Code, or refunds of qualified education expenses received by a beneficiary from an eligible educational institution in connection with withdrawal from enrollment at such institution which are contributed within sixty days of withdrawal to a qualified tuition [savings] program of which such individual is a beneficiary shall not be subject to state income tax imposed pursuant to chapter 143 and shall be eligible for any benefits provided in accordance with Section 529 of the Internal Revenue Code. The exemption from taxation pursuant to this section shall apply only to assets and income maintained, accrued, or expended pursuant to the requirements of the [savings] program established pursuant to sections 166.400 to 166.455, the deposit program established pursuant to sections 166.500 to 166.529, and other qualified tuition [savings] programs established under Section 529 of the Internal Revenue Code, and no exemption shall apply to assets and income expended for any other purposes. Annual contributions made to the [savings] program held by the board, the deposit program, and any qualified tuition [savings] program established under Section 529 of the Internal Revenue Code up to and including eight thousand dollars per [participating] taxpayer, and up to sixteen thousand dollars for married individuals filing a joint tax return, shall be subtracted in determining Missouri adjusted gross income pursuant to section 143.121.

2. If any deductible contributions to or earnings from any such program referred to in this section are distributed and not used to pay qualified education expenses, not transferred as allowed by 26 U.S.C. Section 529(c)(3)(C)(i), as amended, and any Internal Revenue Service regulations or guidance issued in relation thereto, or are not held for the minimum length of time established by the appropriate Missouri board, then the amount so distributed shall be included in the Missouri adjusted gross income of the participant, or, if the participant is not living, the beneficiary.

30           3. The provisions of this section shall apply to tax years beginning on or after January  
31 1, 2008, and the provisions of this section with regard to sections 166.500 to 166.529 shall apply  
32 to tax years beginning on or after January 1, 2004.

          166.440. The assets of the [savings] program shall at all times be preserved, invested and  
2 expended only for the purposes set forth in this section and in accordance with the participation  
3 agreements, and no property rights therein shall exist in favor of the state.

          166.456. All personally identifiable information concerning participants and  
2 beneficiaries of accounts established within the Missouri education [savings] program pursuant  
3 to sections 166.400 to 166.456 shall be confidential, and any disclosure of such information shall  
4 be restricted to purposes directly connected with the administration of the program.

**166.461. 1. This section shall be known and may be cited as the "Show Me Child  
2 Development Account Act".**

**2. As used in this section, the following terms mean:**

**(1) "Eligible educational institution", an institution:**

**(a) Of postsecondary education as defined in 20 U.S.C. Section 1002, as amended;  
6 or**

**(b) That offers a program of instruction:**

**a. Resulting in the award of a certificate, undergraduate degree, or other  
9 industry-recognized credential; and**

**b. That has been designated by the coordinating board for higher education as  
11 preparing students to enter an area of occupational shortage as determined by the  
12 coordinating board;**

**(2) "Parent", the parent, legal guardian, custodian, or other person having care  
14 and custody over a qualified child;**

**(3) "Program", the Missouri children's development account program created in  
16 this section;**

**(4) "Program fund", the Missouri children's development account program fund  
18 created in this section;**

**(5) "Qualified child":**

**(a) An individual born on or after January 1, 2022, and who is a resident of this  
21 state at the time of birth and at the time that the scholarship grant is applied for or  
22 received; or**

**(b) An adoptee with a valid decree of adoption who was born on or after January  
24 1, 2022, whose adopting parent was a resident of this state at the time the decree of  
25 adoption was entered and who is a resident at the time that the scholarship grant is applied  
26 for or received;**

27           (6) "Qualified higher education expenses", the costs of tuition and fees and other  
28 expenses for attendance at an eligible educational institution or a rollover to a qualified  
29 Missouri achieving a better life experience program;

30           (7) "Scholarship grant", an amount not to exceed one hundred dollars provided  
31 to the parent of a qualified child for qualified higher education expenses under this section  
32 that is deposited in a savings account as provided in subsection 7 of this section.

33           3. There is hereby created the "Missouri Children's Development Account  
34 Program". The program shall be administered by the state treasurer as provided in this  
35 section.

36           4. Upon receiving a certification of live birth in this state as provided in chapter  
37 193, the department of health and senior services shall notify the state treasurer and  
38 transmit any data related to the child that the treasurer deems necessary for the  
39 administration of this section to determine whether the child is a qualified child. Such  
40 information shall include, but not be limited to, the child's:

41           (1) Full name;

42           (2) Date of birth;

43           (3) Parent's full name; and

44           (4) Parent's address.

45           5. (1) Upon receiving notification of a live birth and determining whether the child  
46 is a qualified child under this section, the state treasurer shall notify the parent of each  
47 qualified child about the program. The notification shall include an explanation of the  
48 program and the opportunity for the parent to exclude the qualified child from the  
49 program. Any qualified child who is not excluded by the parent shall be deemed to be  
50 enrolled in the program.

51           (2) For any information obtained from the department of health and senior services  
52 under this section, the state treasurer shall be subject to the same disclosure restrictions  
53 and confidentiality requirements that apply to the department. Any information obtained  
54 directly by the treasurer under this section shall be confidential, shall not be deemed a  
55 public record, and shall not be subject to the provisions of chapter 610.

56           6. (1) There is hereby created in the state treasury the "Missouri Children's  
57 Development Account Program Fund", which shall receive deposits, make disbursements,  
58 and be administered in compliance with the provisions of this section.

59           (2) Subject to appropriation and the availability of moneys in the program fund,  
60 moneys in the program fund shall be used to provide scholarship grants and to pay for  
61 personal service, equipment, and other expenses of the treasurer related to the  
62 administration of this section. Nothing in this section shall be construed to prevent the



63 general assembly from making appropriations to the program fund from other permissible  
64 sources.

65 (3) Notwithstanding any other provisions of law to the contrary, moneys shall be  
66 deposited in the program fund and administered in accordance with the following  
67 provisions:

68 (a) On a daily basis, the state treasurer shall apportion any interest or other  
69 increment derived from the investment of funds in an amount proportionate to the average  
70 daily balance of funds in the state treasury. The treasurer shall use a method in  
71 accordance with generally accepted accounting principles in apportioning and distributing  
72 that interest or increment. After satisfying the requirements of section 30.605 and prior  
73 to distributing that interest or increment, the treasurer shall deduct the costs incurred by  
74 the treasurer in administering this section in proportion to the average daily balance of the  
75 amounts deposited to each fund in the state treasury. The treasurer shall then deposit the  
76 identified portion of the daily interest receipts in the program fund. All other remaining  
77 interest received on the investment of state funds shall be allocated and deposited to funds  
78 in the state treasury as required by law;

79 (b) The total costs for scholarship grants, personal service, equipment, and other  
80 expenses of the treasurer related to this section, exclusive of any personal service,  
81 equipment, and other expenses attributable to positions wholly dedicated to the functions  
82 described in chapter 447, and any banking fees and other banking-related costs, shall not  
83 exceed thirty-five basis points, or thirty-five-hundredths of one percent, of the total of the  
84 average daily fund balance of funds in the state treasury.

85 (4) Notwithstanding the provisions of section 33.080 to the contrary, moneys in the  
86 program fund shall not lapse to the general revenue fund at the end of the biennium.

87 (5) The provisions of this section shall not apply to the state road fund created in  
88 section 226.220, the motor fuel tax fund created in section 142.345, the state highways and  
89 transportation department fund created in section 226.200, the state transportation fund  
90 created in section 226.225, or the state road bond fund created in Article IV, Section 30(b)  
91 of the Constitution of Missouri.

92 7. (1) The state treasurer shall establish a separate savings account under sections  
93 166.400 to 166.456, or through another means determined by the state treasurer, for each  
94 qualified child and shall deposit scholarship grants in such separate savings accounts or  
95 in a master account to be allocated to such separate accounts.

96 (2) Any separate savings account established under this subsection shall be exempt  
97 for purposes of determining eligibility for public assistance, provided that the federal rules  
98 for such programs permit such an exemption.

99           **(3) Any amount in any separate savings account established under this subsection**  
100 **that is unused for qualified higher education expenses and remains in such savings account**  
101 **when the qualified child becomes thirty years of age shall revert to the program fund.**

102           **(4) The state treasurer may receive contributions from any person or legal entity**  
103 **to the account on behalf of and make grants to eligible children to pay for qualified higher**  
104 **education expenses.**

105           **8. The state treasurer may promulgate all necessary rules and regulations for the**  
106 **administration of this section. Any rule or portion of a rule, as that term is defined in**  
107 **section 536.010, that is created under the authority delegated in this section shall become**  
108 **effective only if it complies with and is subject to all of the provisions of chapter 536 and,**  
109 **if applicable, section 536.028. This section and chapter 536 are nonseverable, and if any**  
110 **of the powers vested with the general assembly pursuant to chapter 536 to review, to delay**  
111 **the effective date, or to disapprove and annul a rule are subsequently held**  
112 **unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted**  
113 **after August 28, 2021, shall be invalid and void.**

166.502. As used in sections 166.500 to 166.529, except where the context clearly  
2 requires another interpretation, the following terms mean:

3           (1) "Beneficiary", any individual designated by a participation agreement to benefit from  
4 payments for qualified higher education expenses at an eligible educational institution;

5           (2) "Benefits", the payment of qualified higher education expenses on behalf of a  
6 beneficiary from a deposit account during the beneficiary's attendance at an eligible educational  
7 institution;

8           (3) "Board", the Missouri education [savings] program board established in section  
9 166.415;

10           (4) "Eligible educational institution", an institution of postsecondary education as  
11 defined in Section 529(e)(5) of the Internal Revenue Code;

12           (5) "Financial institution", a depository institution and any intermediary that brokers  
13 certificates of deposits;

14           (6) "Internal Revenue Code", the Internal Revenue Code of 1986, as amended;

15           (7) "Missouri higher education deposit program" or "deposit program", the program  
16 created pursuant to sections 166.500 to 166.529;

17           (8) "Participant", a person who has entered into a participation agreement pursuant to  
18 sections 166.500 to 166.529 for the advance payment of qualified higher education expenses on  
19 behalf of a beneficiary;

20           (9) "Participation agreement", an agreement between a participant and the board pursuant  
21 to and conforming with the requirements of sections 166.500 to 166.529;

22 (10) "Qualified higher education expenses", the qualified costs of tuition and fees and  
23 other expenses for attendance at an eligible educational institution, as defined in Section  
24 529(e)(3) of the Internal Revenue Code of 1986, as amended.

209.610. 1. The board may enter into ABLE program participation agreements with  
2 participants on behalf of designated beneficiaries pursuant to the provisions of sections 209.600  
3 to 209.645, including the following terms and conditions:

4 (1) A participation agreement shall stipulate the terms and conditions of the ABLE  
5 program in which the participant makes contributions;

6 (2) A participation agreement shall specify the method for calculating the return on the  
7 contribution made by the participant;

8 (3) A participation agreement shall clearly and prominently disclose to participants the  
9 risk associated with depositing moneys with the board;

10 (4) Participation agreements shall be organized and presented in a way and with  
11 language that is easily understandable by the general public; and

12 (5) A participation agreement shall clearly and prominently disclose to participants the  
13 existence of any load charge or similar charge assessed against the accounts of the participants  
14 for administration or services.

15 2. The board shall establish the maximum amount of contributions which may be made  
16 annually to an ABLE account, which shall be the same as the amount allowed by 26 U.S.C.  
17 Section 529A of the Internal Revenue Code of 1986, as amended.

18 3. The board shall establish a total contribution limit for savings accounts established  
19 under the ABLE program with respect to a designated beneficiary which shall in no event be less  
20 than the amount established as the contribution limit by the Missouri education [~~savings~~]  
21 program board for qualified tuition [~~savings~~] programs established under sections 166.400 to  
22 166.450. No contribution shall be made to an ABLE account for a designated beneficiary if it  
23 would cause the balance of the ABLE account of the designated beneficiary to exceed the total  
24 contribution limit established by the board. The board may establish other requirements that it  
25 deems appropriate to provide adequate safeguards to prevent contributions on behalf of a  
26 designated beneficiary from exceeding what is necessary to provide for the qualified disability  
27 expenses of the designated beneficiary.

28 4. The board shall establish the minimum length of time that contributions and earnings  
29 must be held by the ABLE program to qualify as tax exempt pursuant to section 209.625. Any  
30 contributions or earnings that are withdrawn or distributed from an ABLE account prior to the  
31 expiration of the minimum length of time, as established by the board, shall be subject to a  
32 penalty pursuant to section 209.620.

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