

FIRST REGULAR SESSION  
[ P E R F E C T E D ]  
SENATE SUBSTITUTE FOR

# SENATE BILL NO. 366

98TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR SCHMITT.

Offered April 21, 2015.

Senate Substitute adopted, April 21, 2015.

Taken up for Perfection April 21, 2015. Bill declared Perfected and Ordered Printed.

ADRIANE D. CROUSE, Secretary.

1887S.05P

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## AN ACT

To repeal section 166.435, RSMo, and to enact in lieu thereof two new sections relating to the Missouri higher education savings program, with a contingent effective date.

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

Section A. Section 166.435, RSMo, is repealed and two new sections  
2 enacted in lieu thereof, to be known as sections 166.421 and 166.435, to read as  
3 follows:

**166.421. 1. A participant may elect to contribute all or part of a  
2 refund of personal income tax to an account that has been established  
3 under sections 166.400 to 166.456 by direct deposit to the financial  
4 institution managing the account. The amount elected to be  
5 contributed by the participant shall be at least twenty-five dollars and  
6 shall be as a contribution only for the tax year in which the refund is  
7 issued. The election to contribute may not be changed or revoked.**

**8 2. The election shall be made on a form prescribed by the  
9 department of revenue and filed with the taxpayer's tax return for the  
10 tax year or at such other time and in such other manner as the  
11 department may prescribe. The department of revenue shall prescribe  
12 the maximum number of accounts to which a taxpayer may elect to  
13 contribute a portion of the refund. Notwithstanding the limit  
14 prescribed by the department, a parent or legal guardian shall be  
15 permitted to contribute a portion of his or her refund to accounts held**

16 **by each of his or her children.**

17 **3. The election to contribute all or a portion of a refund shall be**  
18 **void, and no portion of the refund may be contributed to an account if**  
19 **the taxpayer's refund is offset to pay amounts owed by the taxpayer.**

166.435. 1. Notwithstanding any law to the contrary, the assets of the  
2 savings program held by the board, the assets of any deposit program authorized  
3 in section 166.500, and the assets of any qualified tuition savings program  
4 established pursuant to Section 529 of the Internal Revenue Code and any income  
5 therefrom shall be exempt from all taxation by the state or any of its political  
6 subdivisions. Income earned or received from the savings program, deposit, or  
7 other qualified tuition savings programs established under Section 529 of the  
8 Internal Revenue Code program, **or refunds of qualified higher education**  
9 **expenses received by a beneficiary from an eligible educational**  
10 **institution in connection with withdrawal from enrollment at such**  
11 **institution which are contributed within sixty days of withdrawal to a**  
12 **qualified tuition savings program of which such individual is a**  
13 **beneficiary** shall not be subject to state income tax imposed pursuant to chapter  
14 143 and shall be eligible for any benefits provided in accordance with Section 529  
15 of the Internal Revenue Code. The exemption from taxation pursuant to this  
16 section shall apply only to assets and income maintained, accrued, or expended  
17 pursuant to the requirements of the savings program established pursuant to  
18 sections 166.400 to 166.455, the deposit program established pursuant to sections  
19 166.500 to 166.529, and other qualified tuition savings programs established  
20 under Section 529 of the Internal Revenue Code, and no exemption shall apply  
21 to assets and income expended for any other purposes. Annual contributions  
22 made to the savings program held by the board, the deposit program, and any  
23 qualified tuition savings program established under Section 529 of the Internal  
24 Revenue Code up to and including eight thousand dollars per participating  
25 taxpayer, and up to sixteen thousand dollars for married individuals filing a joint  
26 tax return, shall be subtracted in determining Missouri adjusted gross income  
27 pursuant to section 143.121.

28 2. If any deductible contributions to or earnings from any such program  
29 referred to in this section are distributed and not used to pay qualified higher  
30 education expenses or are not held for the minimum length of time established  
31 by the appropriate Missouri board, the amount so distributed shall be added to  
32 the Missouri adjusted gross income of the participant, or, if the participant is not

33 living, the beneficiary.

34 3. The provisions of this section shall apply to tax years beginning on or  
35 after January 1, 2008, and the provisions of this section with regard to sections  
36 166.500 to 166.529 shall apply to tax years beginning on or after January 1, 2004.

Section B. The repeal and reenactment of section 166.435 of this act shall  
2 become effective only upon notification by the State Treasurer to the Revisor of  
3 Statutes of the passage of H.R. 529 of the 114<sup>th</sup> United States Congress.

✓  
Unofficial

Bill

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