

2018 Regular Session

SENATE BILL NO. 386

BY SENATOR DONAHUE

TUITION. Allows START distributions for K-12 expenses. (8/1/18)

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AN ACT

To amend and reenact R.S. 17:3091(A), 3092(1), (8) and (12), 3095(A)(2) and (3), (C)(5) and (6), (D), (E)(1), and (G), 3098(A)(2)(b) and (c), (B)(3)(b) and (c), and (D), relative to the Louisiana Student Tuition Assistance and Revenue Trust Program; to provide relative to the intent of the program; to provide definitions; to provide relative to education savings accounts; to provide relative to allowed disbursements from program accounts; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 17:3091(A), 3092(1), (8) and (12), 3095(A)(2) and (3), (C)(5) and (6), (D), (E)(1), and (G), 3098(A)(2)(b) and (c), (B)(3)(b) and (c), and (D) are hereby amended and reenacted to read as follows:

§3091. Louisiana Student Tuition Assistance and Revenue Trust Program; creation; purpose; legislative intent

A. In order to help make education affordable and accessible to all citizens of Louisiana, ~~to assist in the maintenance of state institutions of postsecondary education by helping to provide a more stable financial base to these institutions,~~ to provide the citizens of Louisiana with financing assistance for education ~~at an~~

1 ~~institution of postsecondary education~~ and protection against rising ~~tuition~~ education
 2 costs, to encourage saving to enhance the ability of citizens to obtain access to
 3 ~~institutions of postsecondary~~ education, to encourage academic excellence, to
 4 promote a well-educated and financially secure population to the ultimate benefit of
 5 all citizens of the state, and to encourage a recognition that financing an education
 6 is an investment in the future, there is hereby created the Louisiana Student Tuition
 7 Assistance and Revenue Trust Program which may hereafter be referred to as the
 8 "START" Program. The program shall consist of the establishment of education
 9 savings accounts by individuals, groups, or organizations and provisions for the
 10 routine deposit of funds to cover the future educational costs of a designated
 11 beneficiary.

12 * * *

13 §3092. Definitions

14 For the purposes of this Chapter, the following words, terms, and phrases
 15 shall have the following meanings, unless the context clearly requires otherwise:

16 (1) "Beneficiary" means a person designated in an education savings account
 17 owner's agreement, or by the authority when authorized by an account owner
 18 meeting the classification requirements of R.S. 17:3096(A)(1)(e), as the individual
 19 entitled to apply the savings accrued in an education savings account to the payment
 20 of his qualified ~~higher~~ education expenses.

21 * * *

22 (8) "Qualified ~~higher~~ education expenses" shall have the same meaning as
 23 that term is defined in 26 U.S.C. 529(e)(3) as amended.

24 * * *

25 (12) "Tuition" means the mandatory educational charges imposed by an
 26 approved elementary or secondary school, or an institution of postsecondary
 27 education and all fees required as a condition of enrollment, as delineated by the
 28 Louisiana Tuition Trust Authority.

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§3095. Education savings accounts; types, use, limitations, and disclosures

A.(1) * * *

(2) The funds deposited in an education savings account shall be disbursed from the account to the account owner, beneficiary, ~~or~~ **eligible elementary or secondary school, or** institution of postsecondary education, as directed by the account owner, for the qualified ~~higher~~ education expenses of the beneficiary not to exceed the redemption value of the account.

(3) Nothing in this Chapter, or in any education savings account owner's agreement entered into pursuant to this Chapter, shall be construed as a guarantee by the state, the authority, or any **eligible elementary or secondary school, or** institution of postsecondary education that a beneficiary of an education savings account will be admitted ~~to an institution of postsecondary education~~, or, upon admission ~~to an institution of postsecondary education~~, will be permitted to continue to attend or will receive a degree, diploma, or any other affirmation of program completion ~~from an institution of postsecondary education~~. Nothing in this Chapter or in any education savings account owner's agreement entered into pursuant to this Chapter shall be considered a guarantee that the beneficiary's cost of tuition at an institution ~~of postsecondary education~~ will be covered in full by the proceeds of the beneficiary's education savings account.

* * *

C. The following information shall be disclosed in writing to each person completing an account owner's agreement for the purpose of opening an education savings account:

* * *

(5) The obligation of the authority to make payments to a beneficiary, or an **eligible elementary or secondary school, or** institution of postsecondary education on behalf of a beneficiary, under Subsection A of this Section, based upon the redemption value accrued on behalf of the beneficiary.

(6) The method by which withdrawals from the education savings account

1 shall be applied toward payment of qualified ~~higher~~ education expenses.

2 * * *

3 D. An education savings account depositor's agreement may provide that the
4 authority shall pay directly to the **eligible elementary or secondary school, or**
5 institution of postsecondary education in which the beneficiary is enrolled the
6 amount represented by the qualified ~~higher~~ education expenses incurred that term.

7 E.(1) On or before the first day of July following the year in which the
8 program is implemented, and each year thereafter, the authority shall project five
9 years' qualified ~~higher~~ education expenses at the **eligible elementary or secondary**
10 **school, or** institution of postsecondary education designated by the beneficiary, to
11 the date of the beneficiary's first scheduled enrollment in that institution, and advise
12 the owner of an education savings account of the owner's progress in saving to meet
13 those costs.

14 * * *

15 G. Neither education savings accounts nor any reversion of the savings into
16 cash payments for the purpose of paying the qualified ~~higher~~ education expenses of
17 a beneficiary pursuant to this Chapter shall be taxable for state income tax purposes.
18 Interest credited to an education savings account which is refunded to the holder by
19 the authority shall be taxable for state income tax purposes and shall be reported by
20 the authority to the holder in January of the year following the year the refund was
21 made, in accordance with applicable tax codes.

22 * * *

23 §3098. Termination of depositor's agreements; refund; conversion of the account to
24 money

25 A. * * *

26 (2) An education savings account owner's agreement may be terminated
27 under any of the following circumstances:

28 * * *

29 (b) Upon notification to the Louisiana Tuition Trust Authority in writing that

1 the beneficiary has decided not to attend an eligible elementary or secondary
2 school, or institution of higher education and requests that the education savings
3 account be terminated.

4 (c) Upon completion of the requirements for a degree, diploma, or other
5 affirmation of program completion at an eligible elementary or secondary school,
6 or institution of postsecondary education.

7 * * *

8 B.(1) * * *

9 * * *

10 (3) Monies in accounts opened by juridical persons or classified under R.S.
11 17:3096(A)(1)(e) of this Chapter may not be refunded; however, the account owner
12 or the authority, if the account owner has authorized the authority to designate the
13 beneficiary, may designate a new beneficiary:

14 * * *

15 (b) If the beneficiary has decided not to attend an eligible elementary or
16 secondary school, or institution of higher education.

17 (c) Upon the beneficiary's completion of the requirements for a degree,
18 diploma, or other affirmation of program completion at an eligible elementary or
19 secondary school, or institution of postsecondary education.

20 * * *

21 D. If, in any academic term for which withdrawals from the education
22 savings account have been used to pay all or part of a beneficiary's qualified ~~higher~~
23 education expenses, the beneficiary withdraws from the eligible elementary or
24 secondary school, or institution of postsecondary education at which the beneficiary
25 is enrolled prior to the end of the academic term, a pro rata share of any refund of the
26 qualified ~~higher~~ education expenses resulting from the beneficiary's withdrawal from
27 the institution, equal to that portion of the qualified ~~higher~~ education expenses paid
28 by disbursements from the education savings account, shall be made to the authority,
29 unless the authority designates a different procedure. The authority shall credit any

1 refund to the appropriate education savings account.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Cheryl Serrett.

DIGEST

SB 386 Original

2018 Regular Session

Donahue

Present law provides for the Louisiana Student Tuition Assistance and Revenue Trust Program (START Program) which provides for the establishment of education savings accounts to cover the future educational costs for higher education expenses of a designated beneficiary.

Proposed law conforms START Program provisions in present law to the recently enacted federal "Tax Cuts and Jobs Act" which allows 529 College Saving Plan account distributions for certain K-12 expenses.

Effective August 1, 2018.

(Amends R.S. 17:3091(A), 3092(1), (8), and (12), 3095(A)(2) and (3), (C)(5) and (6), (D), (E)(1), and (G), 3098(A)(2)(b) and (c), (B)(3)(b) and (c), and (D))