

SB1758



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB1758

Introduced 2/9/2017, by Sen. Bill Cunningham

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5

Amends the State Treasurer Act. Modifies the term "qualified expenses" for the purpose of participant requirements in the use of the College Savings Pool established under the Act. Effective immediately.

LRB100 09185 RJF 19340 b

A BILL FOR

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The State Treasurer Act is amended by changing
5 Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may
8 establish and administer a College Savings Pool to supplement
9 and enhance the investment opportunities otherwise available
10 to persons seeking to finance the costs of higher education.
11 The State Treasurer, in administering the College Savings Pool,
12 may receive moneys paid into the pool by a participant and may
13 serve as the fiscal agent of that participant for the purpose
14 of holding and investing those moneys.

15 "Participant", as used in this Section, means any person
16 who has authority to withdraw funds, change the designated
17 beneficiary, or otherwise exercise control over an account.

18 "Donor", as used in this Section, means any person who makes
19 investments in the pool. "Designated beneficiary", as used in
20 this Section, means any person on whose behalf an account is
21 established in the College Savings Pool by a participant. Both
22 in-state and out-of-state persons may be participants, donors,
23 and designated beneficiaries in the College Savings Pool. The

1 College Savings Pool must be available to any individual with a
2 valid social security number or taxpayer identification number
3 for the benefit of any individual with a valid social security
4 number or taxpayer identification number, unless a contract in
5 effect on August 1, 2011 (the effective date of Public Act
6 97-233) does not allow for taxpayer identification numbers, in
7 which case taxpayer identification numbers must be allowed upon
8 the expiration of the contract.

9 New accounts in the College Savings Pool may be processed
10 through participating financial institutions. "Participating
11 financial institution", as used in this Section, means any
12 financial institution insured by the Federal Deposit Insurance
13 Corporation and lawfully doing business in the State of
14 Illinois and any credit union approved by the State Treasurer
15 and lawfully doing business in the State of Illinois that
16 agrees to process new accounts in the College Savings Pool.
17 Participating financial institutions may charge a processing
18 fee to participants to open an account in the pool that shall
19 not exceed \$30 until the year 2001. Beginning in 2001 and every
20 year thereafter, the maximum fee limit shall be adjusted by the
21 Treasurer based on the Consumer Price Index for the North
22 Central Region as published by the United States Department of
23 Labor, Bureau of Labor Statistics for the immediately preceding
24 calendar year. Every contribution received by a financial
25 institution for investment in the College Savings Pool shall be
26 transferred from the financial institution to a location

1 selected by the State Treasurer within one business day
2 following the day that the funds must be made available in
3 accordance with federal law. All communications from the State
4 Treasurer to participants and donors shall reference the
5 participating financial institution at which the account was
6 processed.

7 The Treasurer may invest the moneys in the College Savings
8 Pool in the same manner and in the same types of investments
9 provided for the investment of moneys by the Illinois State
10 Board of Investment. To enhance the safety and liquidity of the
11 College Savings Pool, to ensure the diversification of the
12 investment portfolio of the pool, and in an effort to keep
13 investment dollars in the State of Illinois, the State
14 Treasurer may make a percentage of each account available for
15 investment in participating financial institutions doing
16 business in the State. The State Treasurer may deposit with the
17 participating financial institution at which the account was
18 processed the following percentage of each account at a
19 prevailing rate offered by the institution, provided that the
20 deposit is federally insured or fully collateralized and the
21 institution accepts the deposit: 10% of the total amount of
22 each account for which the current age of the beneficiary is
23 less than 7 years of age, 20% of the total amount of each
24 account for which the beneficiary is at least 7 years of age
25 and less than 12 years of age, and 50% of the total amount of
26 each account for which the current age of the beneficiary is at

1 least 12 years of age. The Treasurer shall develop, publish,
2 and implement an investment policy covering the investment of
3 the moneys in the College Savings Pool. The policy shall be
4 published each year as part of the audit of the College Savings
5 Pool by the Auditor General, which shall be distributed to all
6 participants. The Treasurer shall notify all participants in
7 writing, and the Treasurer shall publish in a newspaper of
8 general circulation in both Chicago and Springfield, any
9 changes to the previously published investment policy at least
10 30 calendar days before implementing the policy. Any investment
11 policy adopted by the Treasurer shall be reviewed and updated
12 if necessary within 90 days following the date that the State
13 Treasurer takes office.

14 Participants shall be required to use moneys distributed
15 from the College Savings Pool for qualified expenses at
16 eligible educational institutions. "Qualified expenses", as
17 used in this Section, means the following: (i) tuition, fees,
18 and the costs of books, supplies, and equipment required for
19 enrollment or attendance at an eligible educational
20 institution; (ii) expenses for special needs services, in the
21 case of a special needs beneficiary, which are incurred in
22 connection with such enrollment or attendance; (iii) certain
23 expenses for the purchase of computer or peripheral equipment,
24 as defined in Section 168 of the federal Internal Revenue Code
25 (26 U.S.C. 168), computer software, as defined in Section 197
26 of the federal Internal Revenue Code (26 U.S.C. 197), or

1 internet access and related services, if such equipment,
2 software, or services are to be used primarily by the
3 beneficiary during any of the years the beneficiary is enrolled
4 at an eligible educational institution, except that, such
5 expenses shall not include expenses for computer software
6 designed for sports, games, or hobbies, unless the software is
7 predominantly educational in nature; and (iv) ~~(iii)~~ certain room
8 and board expenses incurred while attending an eligible
9 educational institution at least half-time. "Eligible
10 educational institutions", as used in this Section, means
11 public and private colleges, junior colleges, graduate
12 schools, and certain vocational institutions that are
13 described in Section 481 of the Higher Education Act of 1965
14 (20 U.S.C. 1088) and that are eligible to participate in
15 Department of Education student aid programs. A student shall
16 be considered to be enrolled at least half-time if the student
17 is enrolled for at least half the full-time academic work load
18 for the course of study the student is pursuing as determined
19 under the standards of the institution at which the student is
20 enrolled. Distributions made from the pool for qualified
21 expenses shall be made directly to the eligible educational
22 institution, directly to a vendor, or in the form of a check
23 payable to both the beneficiary and the institution or vendor.
24 Any moneys that are distributed in any other manner or that are
25 used for expenses other than qualified expenses at an eligible
26 educational institution shall be subject to a penalty of 10% of

1 the earnings unless the beneficiary dies, becomes a person with
2 a disability, or receives a scholarship that equals or exceeds
3 the distribution. Penalties shall be withheld at the time the
4 distribution is made.

5 The Treasurer shall limit the contributions that may be
6 made on behalf of a designated beneficiary based on the
7 limitations established by the Internal Revenue Service. The
8 contributions made on behalf of a beneficiary who is also a
9 beneficiary under the Illinois Prepaid Tuition Program shall be
10 further restricted to ensure that the contributions in both
11 programs combined do not exceed the limit established for the
12 College Savings Pool. The Treasurer shall provide the Illinois
13 Student Assistance Commission each year at a time designated by
14 the Commission, an electronic report of all participant
15 accounts in the Treasurer's College Savings Pool, listing total
16 contributions and disbursements from each individual account
17 during the previous calendar year. As soon thereafter as is
18 possible following receipt of the Treasurer's report, the
19 Illinois Student Assistance Commission shall, in turn, provide
20 the Treasurer with an electronic report listing those College
21 Savings Pool participants who also participate in the State's
22 prepaid tuition program, administered by the Commission. The
23 Commission shall be responsible for filing any combined tax
24 reports regarding State qualified savings programs required by
25 the United States Internal Revenue Service. The Treasurer shall
26 work with the Illinois Student Assistance Commission to

1 coordinate the marketing of the College Savings Pool and the
2 Illinois Prepaid Tuition Program when considered beneficial by
3 the Treasurer and the Director of the Illinois Student
4 Assistance Commission. The Treasurer's office shall not
5 publicize or otherwise market the College Savings Pool or
6 accept any moneys into the College Savings Pool prior to March
7 1, 2000. The Treasurer shall provide a separate accounting for
8 each designated beneficiary to each participant, the Illinois
9 Student Assistance Commission, and the participating financial
10 institution at which the account was processed. No interest in
11 the program may be pledged as security for a loan. Moneys held
12 in an account invested in the Illinois College Savings Pool
13 shall be exempt from all claims of the creditors of the
14 participant, donor, or designated beneficiary of that account,
15 except for the non-exempt College Savings Pool transfers to or
16 from the account as defined under subsection (j) of Section
17 12-1001 of the Code of Civil Procedure (735 ILCS 5/12-1001(j)).

18 The assets of the College Savings Pool and its income and
19 operation shall be exempt from all taxation by the State of
20 Illinois and any of its subdivisions. The accrued earnings on
21 investments in the Pool once disbursed on behalf of a
22 designated beneficiary shall be similarly exempt from all
23 taxation by the State of Illinois and its subdivisions, so long
24 as they are used for qualified expenses. Contributions to a
25 College Savings Pool account during the taxable year may be
26 deducted from adjusted gross income as provided in Section 203

1 of the Illinois Income Tax Act. The provisions of this
2 paragraph are exempt from Section 250 of the Illinois Income
3 Tax Act.

4 The Treasurer shall adopt rules he or she considers
5 necessary for the efficient administration of the College
6 Savings Pool. The rules shall provide whatever additional
7 parameters and restrictions are necessary to ensure that the
8 College Savings Pool meets all of the requirements for a
9 qualified state tuition program under Section 529 of the
10 Internal Revenue Code (26 U.S.C. 529). The rules shall provide
11 for the administration expenses of the pool to be paid from its
12 earnings and for the investment earnings in excess of the
13 expenses and all moneys collected as penalties to be credited
14 or paid monthly to the several participants in the pool in a
15 manner which equitably reflects the differing amounts of their
16 respective investments in the pool and the differing periods of
17 time for which those amounts were in the custody of the pool.
18 Also, the rules shall require the maintenance of records that
19 enable the Treasurer's office to produce a report for each
20 account in the pool at least annually that documents the
21 account balance and investment earnings. Notice of any proposed
22 amendments to the rules and regulations shall be provided to
23 all participants prior to adoption. Amendments to rules and
24 regulations shall apply only to contributions made after the
25 adoption of the amendment.

26 Upon creating the College Savings Pool, the State Treasurer

1 shall give bond with 2 or more sufficient sureties, payable to
2 and for the benefit of the participants in the College Savings
3 Pool, in the penal sum of \$1,000,000, conditioned upon the
4 faithful discharge of his or her duties in relation to the
5 College Savings Pool.

6 (Source: P.A. 99-143, eff. 7-27-15.)

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.