

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.

8 (a) Definitions. As used in this Section:

9 "Account owner" means any person or entity who has opened  
10 an account or to whom ownership of an account has been  
11 transferred, as allowed by the Internal Revenue Code, and who  
12 has authority to withdraw funds, direct withdrawal of funds,  
13 change the designated beneficiary, or otherwise exercise  
14 control over an account in the College Savings Pool.

15 "Donor" means any person or entity who makes contributions  
16 to an account in the College Savings Pool.

17 "Designated beneficiary" means any individual designated  
18 as the beneficiary of an account in the College Savings Pool by  
19 an account owner. A designated beneficiary must have a valid  
20 social security number or taxpayer identification number. In  
21 the case of an account established as part of a scholarship  
22 program permitted under Section 529 of the Internal Revenue  
23 Code, the designated beneficiary is any individual receiving

1 benefits accumulated in the account as a scholarship.

2 "Member of the family" has the same meaning ascribed to  
3 that term under Section 529 of the Internal Revenue Code.

4 "Nonqualified withdrawal" means a distribution from an  
5 account other than a distribution that (i) is used for the  
6 qualified expenses of the designated beneficiary; (ii) results  
7 from the beneficiary's death or disability; (iii) is a rollover  
8 to another account in the College Savings Pool; or (iv) is a  
9 rollover to an ABLE account, as defined in Section 16.6 of this  
10 Act, or any distribution that, within 60 days after such  
11 distribution, is transferred to an ABLE account of the  
12 designated beneficiary or a member of the family of the  
13 designated beneficiary to the extent that the distribution,  
14 when added to all other contributions made to the ABLE account  
15 for the taxable year, does not exceed the limitation under  
16 Section 529A(b) ~~(2)(B)(i)~~ of the Internal Revenue Code.

17 "Program manager" means any financial institution or  
18 entity lawfully doing business in the State of Illinois  
19 selected by the State Treasurer to oversee the recordkeeping,  
20 custody, customer service, investment management, and  
21 marketing for one or more of the programs in the College  
22 Savings Pool.

23 "Qualified expenses" means: (i) tuition, fees, and the  
24 costs of books, supplies, and equipment required for enrollment  
25 or attendance at an eligible educational institution; (ii)  
26 expenses for special needs services, in the case of a special

1 needs beneficiary, which are incurred in connection with such  
2 enrollment or attendance; (iii) certain expenses for the  
3 purchase of computer or peripheral equipment, as defined in  
4 Section 168 of the federal Internal Revenue Code (26 U.S.C.  
5 168), computer software, as defined in Section 197 of the  
6 federal Internal Revenue Code (26 U.S.C. 197), or Internet  
7 access and related services, if such equipment, software, or  
8 services are to be used primarily by the beneficiary during any  
9 of the years the beneficiary is enrolled at an eligible  
10 educational institution, except that, such expenses shall not  
11 include expenses for computer software designed for sports,  
12 games, or hobbies, unless the software is predominantly  
13 educational in nature; and (iv) room and board expenses  
14 incurred while attending an eligible educational institution  
15 at least half-time. "Eligible educational institutions", as  
16 used in this Section, means public and private colleges, junior  
17 colleges, graduate schools, and certain vocational  
18 institutions that are described in Section 1001 ~~481~~ of the  
19 Higher Education Resource and Student Assistance Chapter of  
20 Title 20 of the United States Code ~~Act of 1965~~ (20 U.S.C. 1001  
21 ~~1088~~) and that are eligible to participate in Department of  
22 Education student aid programs. A student shall be considered  
23 to be enrolled at least half-time if the student is enrolled  
24 for at least half the full-time academic workload for the  
25 course of study the student is pursuing as determined under the  
26 standards of the institution at which the student is enrolled.

1 (b) Establishment of the Pool. The State Treasurer may  
2 establish and administer the a College Savings Pool as a  
3 qualified tuition program under Section 529 of the Internal  
4 Revenue Code. The Pool may consist of one or more college  
5 savings programs. The State Treasurer, in administering the  
6 College Savings Pool, may receive, hold, and invest moneys paid  
7 into the Pool and perform such other actions as are necessary  
8 to ensure that the Pool operates as a qualified tuition program  
9 in accordance with Section 529 of the Internal Revenue Code.

10 (c) Administration of the College Savings Pool. The State  
11 Treasurer may engage one or more financial institutions to  
12 handle the overall administration, investment management,  
13 recordkeeping, and marketing of the programs in the College  
14 Savings Pool. The contributions deposited in the Pool, and any  
15 earnings thereon, shall not constitute property of the State or  
16 be commingled with State funds and the State shall have no  
17 claim to or against, or interest in, such funds; provided that  
18 the State Treasurer may collect fees in accordance with this  
19 Act.

20 (c-5) The State Treasurer shall provide a separate  
21 accounting for each designated beneficiary. The separate  
22 accounting shall be provided to the account owner of the  
23 account for the designated beneficiary at least annually and  
24 shall show the account balance, the investment in the account,  
25 the investment earnings, and the distributions from the  
26 account.

1 (d) Availability of the College Savings Pool. The State  
2 Treasurer may permit persons, including trustees of trusts and  
3 custodians under a Uniform Transfers to Minors Act or Uniform  
4 Gifts to Minors Act account, and certain legal entities to be  
5 account owners, including as part of a scholarship program,  
6 provided that: (1) an individual, trustee or custodian must  
7 have a valid social security number or taxpayer identification  
8 number, be at least 18 years of age, and have a valid United  
9 States street address; and (2) a legal entity must have a valid  
10 taxpayer identification number and a valid United States street  
11 address. Both in-state and out-of-state persons may be account  
12 owners and donors, and both in-state and out-of-state  
13 individuals may be designated beneficiaries in the College  
14 Savings Pool.

15 (e) Fees. The State Treasurer shall establish fees to be  
16 imposed on accounts to cover ~~recover~~ the costs of  
17 administration, recordkeeping, and investment management. The  
18 Treasurer must use his or her best efforts to keep these fees  
19 as low as possible and consistent with administration of high  
20 quality competitive college savings programs. Administrative  
21 fees, costs, and expenses, including investment fees and  
22 expenses, shall be paid from the assets of the College Savings  
23 Pool.

24 (f) Investments in the State. To enhance the safety and  
25 liquidity of the College Savings Pool, to ensure the  
26 diversification of the investment portfolio of the College

1 Savings Pool, and in an effort to keep investment dollars in  
2 the State of Illinois, the State Treasurer may make a  
3 percentage of each account available for investment in  
4 participating financial institutions doing business in the  
5 State.

6 (g) Investment policy. The Treasurer shall develop,  
7 publish, and implement an investment policy covering the  
8 investment of the moneys in each of the programs in the College  
9 Savings Pool. The policy shall be published each year as part  
10 of the audit of the College Savings Pool by the Auditor  
11 General, which shall be distributed to all account owners in  
12 such program. The Treasurer shall notify all account owners in  
13 such program in writing, and the Treasurer shall publish in a  
14 newspaper of general circulation in both Chicago and  
15 Springfield, any changes to the previously published  
16 investment policy at least 30 calendar days before implementing  
17 the policy. Any investment policy adopted by the Treasurer  
18 shall be reviewed and updated if necessary within 90 days  
19 following the date that the State Treasurer takes office.

20 (h) Investment restrictions. An account owner may,  
21 directly or indirectly, direct the investment of any  
22 contributions to the College Savings Pool (or any earnings  
23 thereon) only as provided in Section 529(b)(4) of the Internal  
24 Revenue Code. Donors and designated beneficiaries, in those  
25 capacities, may not, directly or indirectly, direct the  
26 investment of any contributions to the Pool (or any earnings

1 thereon).

2 (i) Distributions. Distributions from an account in the  
3 College Savings Pool may be used for the designated  
4 beneficiary's qualified expenses. Funds contained in a College  
5 Savings Pool account may be rolled over into an eligible ABLE  
6 account, as defined in Section 16.6 of this Act, to the extent  
7 permitted by Section 529~~(e)(3)(C)~~ of the Internal Revenue Code.  
8 ~~To the extent a nonqualified withdrawal is made from an~~  
9 ~~account, the earnings portion of such distribution may be~~  
10 ~~treated by the Internal Revenue Service as income subject to~~  
11 ~~income tax and a 10% federal penalty tax. Internet~~

12 Distributions made from the College Savings Pool may be  
13 made directly to the eligible educational institution,  
14 directly to a vendor, in the form of a check payable to both  
15 the designated beneficiary and the institution or vendor,  
16 directly to the designated beneficiary or account owner, or in  
17 any other manner that is permissible under Section 529 of the  
18 Internal Revenue Code.

19 (j) Contributions. Contributions to the College Savings  
20 Pool shall be as follows:

21 (1) Contributions to an account in the College Savings  
22 Pool may be made only in cash.

23 (2) The Treasurer shall limit the contributions that  
24 may be made to the College Savings Pool on behalf of a  
25 designated beneficiary, as required under Section 529 of  
26 the Internal Revenue Code, to prevent contributions for the

1 benefit of a designated beneficiary in excess of those  
2 necessary to provide for the qualified expenses of the  
3 designated beneficiary. The Pool shall not permit any  
4 additional contributions to an account as soon as the  
5 aggregate accounts for the designated beneficiary in the  
6 Pool reach a specified account balance limit applicable to  
7 all designated beneficiaries.

8 (3) The contributions made on behalf of a designated  
9 beneficiary who is also a beneficiary under the Illinois  
10 Prepaid Tuition Program shall be further restricted to  
11 ensure that the contributions in both programs combined do  
12 not exceed the limit established for the College Savings  
13 Pool.

14 (k) Illinois Student Assistance Commission. The Treasurer  
15 shall provide the Illinois Student Assistance Commission each  
16 year at a time designated by the Commission, an electronic  
17 report of all account owner accounts in the Treasurer's College  
18 Savings Pool, listing total contributions and disbursements  
19 from each individual account during the previous calendar year.  
20 As soon thereafter as is possible following receipt of the  
21 Treasurer's report, the Illinois Student Assistance Commission  
22 shall, in turn, provide the Treasurer with an electronic report  
23 listing those College Savings Pool account owners who also  
24 participate in the Illinois Prepaid Tuition Program ~~State's~~  
25 ~~prepaid tuition program~~, administered by the Commission. ~~The~~  
26 ~~Commission shall be responsible for filing any combined tax~~



1 ~~reports regarding State qualified savings programs required by~~  
2 ~~the United States Internal Revenue Service.~~

3 The Treasurer shall work with the Illinois Student  
4 Assistance Commission to coordinate the marketing of the  
5 College Savings Pool and the Illinois Prepaid Tuition Program  
6 when considered beneficial by the Treasurer and the Director of  
7 the Illinois Student Assistance Commission. ~~The Treasurer~~  
8 ~~shall provide a separate accounting for each designated~~  
9 ~~beneficiary to each account owner.~~

10 (l) Prohibition; exemption. No interest in the program, or  
11 any portion thereof, may be used as security for a loan. Moneys  
12 held in an account invested in the College Savings Pool shall  
13 be exempt from all claims of the creditors of the account  
14 owner, donor, or designated beneficiary of that account, except  
15 for the non-exempt College Savings Pool transfers to or from  
16 the account as defined under subsection (j) of Section 12-1001  
17 of the Code of Civil Procedure.

18 (m) Taxation. The assets of the College Savings Pool and  
19 its income and operation shall be exempt from all taxation by  
20 the State of Illinois and any of its subdivisions. The accrued  
21 earnings on investments in the Pool once disbursed on behalf of  
22 a 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 (n) Rules. The Treasurer shall adopt rules he or she  
5 considers necessary for the efficient administration of the  
6 College Savings Pool. The rules shall provide whatever  
7 additional parameters and restrictions are necessary to ensure  
8 that the College Savings Pool meets all ~~of~~ the requirements for  
9 a qualified ~~state~~ tuition program under Section 529 of the  
10 Internal Revenue Code.

11 ~~The rules shall provide for the administration expenses of~~  
12 ~~the Pool to be paid from its earnings and for the investment~~  
13 ~~earnings in excess of the expenses to be credited at least~~  
14 ~~monthly to the account owners in the Pool in a manner which~~  
15 ~~equitably reflects the differing amounts of their respective~~  
16 ~~investments in the Pool and the differing periods of time for~~  
17 ~~which those amounts were in the custody of the Pool.~~

18 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.

22 Notice of any proposed amendments to the rules and  
23 regulations shall be provided to all account owners prior to  
24 adoption. ~~Amendments to rules and regulations shall apply only~~  
25 ~~to contributions made after the adoption of the amendment.~~

26 (o) Bond. The State Treasurer shall give bond with at least

1 one surety, payable to and for the benefit of the account  
2 owners in the College Savings Pool, in the penal sum of  
3 \$10,000,000, conditioned upon the faithful discharge of his or  
4 her duties in relation to the College Savings Pool.

5 (p) The changes made to subsections (c) and (e) of this  
6 Section by this amendatory Act of the 101st General Assembly  
7 are intended to be a restatement and clarification of existing  
8 law.

9 (Source: P.A. 99-143, eff. 7-27-15; 100-161, eff. 8-18-17;  
10 100-863, eff. 8-14-18; 100-905, eff. 8-17-18; revised  
11 10-18-18.)

12 Section 99. Effective date. This Act takes effect upon  
13 becoming law.