



Sen. Julie A. Morrison

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LRB101 08070 RJF 59960 a

1 AMENDMENT TO HOUSE BILL 2837

2 AMENDMENT NO. _____. Amend House Bill 2837 by replacing
3 everything after the enacting clause with the following:

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.

1 "Designated beneficiary" means any individual designated
2 as the beneficiary of an account in the College Savings Pool by
3 an account owner. A designated beneficiary must have a valid
4 social security number or taxpayer identification number. In
5 the case of an account established as part of a scholarship
6 program permitted under Section 529 of the Internal Revenue
7 Code, the designated beneficiary is any individual receiving
8 benefits accumulated in the account as a scholarship.

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

11 "Nonqualified withdrawal" means a distribution from an
12 account other than a distribution that (i) is used for the
13 qualified expenses of the designated beneficiary; (ii) results
14 from the beneficiary's death, ~~or~~ disability, or other
15 circumstances described in Section 530(d)(4)(B) of the
16 Internal Revenue Code; (iii) is a rollover to another account
17 in the College Savings Pool; or (iv) is a rollover to an ABLE
18 account, as defined in Section 16.6 of this Act, or any
19 distribution that, within 60 days after such distribution, is
20 transferred to an ABLE account of the designated beneficiary or
21 a member of the family of the designated beneficiary to the
22 extent that the distribution, when added to all other
23 contributions made to the ABLE account for the taxable year,
24 does not exceed the limitation under Section 529A(b) ~~(2)(B)(i)~~
25 of the Internal Revenue Code.

26 "Program manager" means any financial institution or

1 entity lawfully doing business in the State of Illinois
2 selected by the State Treasurer to oversee the recordkeeping,
3 custody, customer service, investment management, and
4 marketing for one or more of the programs in the College
5 Savings Pool.

6 "Qualified expenses" means: (i) tuition, fees, and the
7 costs of books, supplies, and equipment required for enrollment
8 or attendance at an eligible educational institution; (ii)
9 expenses for special needs services, in the case of a special
10 needs beneficiary, which are incurred in connection with such
11 enrollment or attendance; (iii) certain expenses for the
12 purchase of computer or peripheral equipment, as defined in
13 Section 168 of the federal Internal Revenue Code (26 U.S.C.
14 168), computer software, as defined in Section 197 of the
15 federal Internal Revenue Code (26 U.S.C. 197), or Internet
16 access and related services, if such equipment, software, or
17 services are to be used primarily by the beneficiary during any
18 of the years the beneficiary is enrolled at an eligible
19 educational institution, except that, such expenses shall not
20 include expenses for computer software designed for sports,
21 games, or hobbies, unless the software is predominantly
22 educational in nature; and (iv) room and board expenses
23 incurred while attending an eligible educational institution
24 at least half-time. "Eligible educational institutions", as
25 used in this Section, means public and private colleges, junior
26 colleges, graduate schools, and certain vocational

1 institutions that are described in Section 1001 ~~481~~ of the
2 Higher Education Resource and Student Assistance Chapter of
3 Title 20 of the United States Code ~~Act of 1965~~ (20 U.S.C. 1001
4 ~~1088~~) and that are eligible to participate in Department of
5 Education student aid programs. A student shall be considered
6 to be enrolled at least half-time if the student is enrolled
7 for at least half the full-time academic workload for the
8 course of study the student is pursuing as determined under the
9 standards of the institution at which the student is enrolled.

10 (b) Establishment of the Pool. The State Treasurer may
11 establish and administer the ~~a~~ College Savings Pool as a
12 qualified tuition program under Section 529 of the Internal
13 Revenue Code. The Pool may consist of one or more college
14 savings programs. The State Treasurer, in administering the
15 College Savings Pool, may receive, hold, and invest moneys paid
16 into the Pool and perform such other actions as are necessary
17 to ensure that the Pool operates as a qualified tuition program
18 in accordance with Section 529 of the Internal Revenue Code.

19 (c) Administration of the College Savings Pool. The State
20 Treasurer may engage one or more financial institutions to
21 handle the overall administration, investment management,
22 recordkeeping, and marketing of the programs in the College
23 Savings Pool. The contributions deposited in the Pool, and any
24 earnings thereon, shall not constitute property of the State or
25 be commingled with State funds and the State shall have no
26 claim to or against, or interest in, such funds; provided that

1 the State Treasurer may collect fees in accordance with this
2 Act.

3 (c-5) The State Treasurer shall provide a separate
4 accounting for each designated beneficiary. The separate
5 accounting shall be provided to the account owner of the
6 account for the designated beneficiary at least annually and
7 shall show the account balance, the investment in the account,
8 the investment earnings, and the distributions from the
9 account.

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

24 (e) Fees. The State Treasurer shall establish fees to be
25 imposed on accounts to cover ~~recover~~ the costs of
26 administration, recordkeeping, and investment management. The

1 Treasurer must use his or her best efforts to keep these fees
2 as low as possible and consistent with administration of high
3 quality competitive college savings programs. Administrative
4 fees, costs, and expenses, including investment fees and
5 expenses, shall be paid from the assets of the College Savings
6 Pool.

7 (f) Investments in the State. To enhance the safety and
8 liquidity of the College Savings Pool, to ensure the
9 diversification of the investment portfolio of the College
10 Savings Pool, and in an effort to keep investment dollars in
11 the State of Illinois, the State Treasurer may make a
12 percentage of each account available for investment in
13 participating financial institutions doing business in the
14 State.

15 (g) Investment policy. The Treasurer shall develop,
16 publish, and implement an investment policy covering the
17 investment of the moneys in each of the programs in the College
18 Savings Pool. The policy shall be published each year as part
19 of the audit of the College Savings Pool by the Auditor
20 General, which shall be distributed to all account owners in
21 such program. The Treasurer shall notify all account owners in
22 such program in writing, and the Treasurer shall publish in a
23 newspaper of general circulation in both Chicago and
24 Springfield, any changes to the previously published
25 investment policy at least 30 calendar days before implementing
26 the policy. Any investment policy adopted by the Treasurer

1 shall be reviewed and updated if necessary within 90 days
2 following the date that the State Treasurer takes office.

3 (h) Investment restrictions. An account owner may,
4 directly or indirectly, direct the investment of any
5 contributions to the College Savings Pool (or any earnings
6 thereon) only as provided in Section 529(b)(4) of the Internal
7 Revenue Code. Donors and designated beneficiaries, in those
8 capacities, may not, directly or indirectly, direct the
9 investment of any contributions to the Pool (or any earnings
10 thereon).

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

21 Distributions made from the College Savings Pool may be
22 made directly to the eligible educational institution,
23 directly to a vendor, in the form of a check payable to both
24 the designated beneficiary and the institution or vendor,
25 directly to the designated beneficiary or account owner, or in
26 any other manner that is permissible under Section 529 of the

1 Internal Revenue Code.

2 (j) Contributions. Contributions to the College Savings
3 Pool shall be as follows:

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

6 (2) The Treasurer shall limit the contributions that
7 may be made to the College Savings Pool on behalf of a
8 designated beneficiary, as required under Section 529 of
9 the Internal Revenue Code, to prevent contributions for the
10 benefit of a designated beneficiary in excess of those
11 necessary to provide for the qualified expenses of the
12 designated beneficiary. The Pool shall not permit any
13 additional contributions to an account as soon as the
14 aggregate accounts for the designated beneficiary in the
15 Pool reach a specified account balance limit applicable to
16 all designated beneficiaries.

17 (3) The contributions made on behalf of a designated
18 beneficiary who is also a beneficiary under the Illinois
19 Prepaid Tuition Program shall be further restricted to
20 ensure that the contributions in both programs combined do
21 not exceed the limit established for the College Savings
22 Pool.

23 (k) Illinois Student Assistance Commission. The Treasurer
24 shall provide the Illinois Student Assistance Commission each
25 year at a time designated by the Commission, an electronic
26 report of all account owner accounts in the Treasurer's College

1 Savings Pool, listing total contributions and disbursements
2 from each individual account during the previous calendar year.
3 As soon thereafter as is possible following receipt of the
4 Treasurer's report, the Illinois Student Assistance Commission
5 shall, in turn, provide the Treasurer with an electronic report
6 listing those College Savings Pool account owners who also
7 participate in the Illinois Prepaid Tuition Program ~~State's~~
8 ~~prepaid tuition program~~, administered by the Commission. ~~The~~
9 ~~Commission shall be responsible for filing any combined tax~~
10 ~~reports regarding State-qualified savings programs required by~~
11 ~~the United States Internal Revenue Service.~~

12 The Treasurer shall work with the Illinois Student
13 Assistance Commission to coordinate the marketing of the
14 College Savings Pool and the Illinois Prepaid Tuition Program
15 when considered beneficial by the Treasurer and the Director of
16 the Illinois Student Assistance Commission. ~~The Treasurer~~
17 ~~shall provide a separate accounting for each designated~~
18 ~~beneficiary to each account owner.~~

19 (1) Prohibition; exemption. No interest in the program, or
20 any portion thereof, may be used as security for a loan. Moneys
21 held in an account invested in the College Savings Pool shall
22 be exempt from all claims of the creditors of the account
23 owner, donor, or designated beneficiary of that account, except
24 for the non-exempt College Savings Pool transfers to or from
25 the account as defined under subsection (j) of Section 12-1001
26 of the Code of Civil Procedure.

1 (m) Taxation. The assets of the College Savings Pool and
2 its income and operation shall be exempt from all taxation by
3 the State of Illinois and any of its subdivisions. The accrued
4 earnings on investments in the Pool once disbursed on behalf of
5 a designated beneficiary shall be similarly exempt from all
6 taxation by the State of Illinois and its subdivisions, so long
7 as they are used for qualified expenses. Contributions to a
8 College Savings Pool account during the taxable year may be
9 deducted from adjusted gross income as provided in Section 203
10 of the Illinois Income Tax Act. The provisions of this
11 paragraph are exempt from Section 250 of the Illinois Income
12 Tax Act.

13 (n) Rules. The Treasurer shall adopt rules he or she
14 considers necessary for the efficient administration of the
15 College Savings Pool. The rules shall provide whatever
16 additional parameters and restrictions are necessary to ensure
17 that the College Savings Pool meets all ~~of~~ the requirements for
18 a qualified ~~state~~ tuition program under Section 529 of the
19 Internal Revenue Code.

20 ~~The rules shall provide for the administration expenses of~~
21 ~~the Pool to be paid from its earnings and for the investment~~
22 ~~earnings in excess of the expenses to be credited at least~~
23 ~~monthly to the account owners in the Pool in a manner which~~
24 ~~equitably reflects the differing amounts of their respective~~
25 ~~investments in the Pool and the differing periods of time for~~
26 ~~which those amounts were in the custody of the Pool.~~

1 The rules shall require the maintenance of records that
2 enable the Treasurer's office to produce a report for each
3 account in the Pool at least annually that documents the
4 account balance and investment earnings.

5 Notice of any proposed amendments to the rules and
6 regulations shall be provided to all account owners prior to
7 adoption. ~~Amendments to rules and regulations shall apply only~~
8 ~~to contributions made after the adoption of the amendment.~~

9 (o) Bond. The State Treasurer shall give bond with at least
10 one surety, payable to and for the benefit of the account
11 owners in the College Savings Pool, in the penal sum of
12 \$10,000,000, conditioned upon the faithful discharge of his or
13 her duties in relation to the College Savings Pool.

14 (p) The changes made to subsections (c) and (e) of this
15 Section by this amendatory Act of the 101st General Assembly
16 are intended to be a restatement and clarification of existing
17 law.

18 (Source: P.A. 99-143, eff. 7-27-15; 100-161, eff. 8-18-17;
19 100-863, eff. 8-14-18; 100-905, eff. 8-17-18; revised
20 10-18-18.)

21 Section 99. Effective date. This Act takes effect upon
22 becoming law."