

1999 DRAFTING REQUEST

Senate Substitute Amendment (SSA-SB332)

Received: 03/01/2000

Received By: mlief

Wanted: As time permits

Identical to LRB:

For: Richard Grobschmidt (608) 266-7505

By/Representing: lisa

This file may be shown to any legislator: NO

Drafter: mlief

May Contact:

Alt. Drafters: shoveme

Subject: Higher Education - miscellaneous

Extra Copies: PG

Pre Topic:

No specific pre topic given

Topic:

College savings program

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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FE Sent For:

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1?	mlief	1-3-1-99 mmg	3/1 KJF	KJF/Self R/H			

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State of Wisconsin
1999 - 2000 LEGISLATURE

364
LRBs0357/1
MJL&MES:kmg:ch

Thurs, 8:30 a.m.

2

SENATE SUBSTITUTE AMENDMENT,
TO 1999 ASSEMBLY BILL ~~654~~ ^{SB 332}

Lawe
From
SECTIONS

1 AN ACT to repeal 14.63 (3) (a) 1. and 3.; to amend 14.63 (title), 14.63 (1) (b), 14.63
2 (3) (title), 14.63 (4), 14.63 (5) (a), 14.63 (5) (b) (intro.) and 2., 14.63 (8), 14.63 (11)
3 (b), 14.63 (13), 16.75 (2m) (a), 20.585 (2) (a), 20.585 (2) (s) and 71.05 (6) (b) 23.;
4 and to create 14.57, 14.63 (3) (c), 14.63 (11m), 14.64, 15.07 (1) (b) 2., 16.25,
5 20.585 (1) (gm), 71.05 (6) (b) 28. h., 71.05 (6) (b) 31., 71.05 (6) (b) 32., 71.05 (6)
6 (b) 33. and 815.18 (3) (p) of the statutes; relating to: the college tuition
7 prepayment program, creating a college savings program board and college
8 savings program, creating a tax deduction for certain amounts contributed to
9 the college tuition prepayment program, creating a tax deduction for certain
10 amounts contributed to the college savings program, exempting from taxation
11 certain gains derived from contributions to the college savings program,
12 granting rule-making authority and making an appropriation.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 14.57 of the statutes is created to read:

2 **14.57 Same; attached boards.** There is created a college savings program
3 board that is attached to the office of the state treasurer under s. 15.03 and that
4 consists of all of the following members:

5 (1) The state treasurer or his or her designee.

6 (2) The president of the board of regents of the University of Wisconsin System
7 or his or her designee.

8 (3) The president of the Wisconsin Association of Independent Colleges and
9 Universities or his or her designee.

10 (4) The chairperson of the investment board or his or her designee.

11 (5) The president of the technical college system board or his or her designee.

12 (6) Six other members, appointed for 4-year terms.

13 **SECTION 1g.** 14.63 (title) of the statutes, as affected by 1999 Wisconsin Act 9,
14 is amended to read:

15 **14.63 (title) College tuition prepayment and expenses program.**

16 **SECTION 1m.** 14.63 (1) (b) of the statutes, as affected by 1999 Wisconsin Act 9,
17 is amended to read:

18 14.63 (1) (b) "Institution of higher education" means a ~~public or private~~
19 ~~institution of higher education that is accredited by an accrediting association~~
20 ~~recognized by the state treasurer, and a proprietary school approved by the~~
21 ~~educational approval board under s. 45.54~~ an eligible educational institution, as
22 defined under 26 USC 529.

23 **SECTION 1r.** 14.63 (3) (title) of the statutes, as affected by 1999 Wisconsin Act
24 9, is amended to read:

25 14.63 (3) (title) ~~TUITION PREPAYMENT~~ COLLEGE TUITION AND EXPENSES CONTRACTS.

1 **SECTION 2.** 14.63 (3) (a) 1. and 3. of the statutes, as affected by 1999 Wisconsin
2 Act 9, are repealed.

3 **SECTION 3.** 14.63 (3) (c) of the statutes is created to read:

4 14.63 (3) (c) The state treasurer may charge a purchaser an enrollment fee.

5 **SECTION 4m.** 14.63 (4) of the statutes, as affected by 1999 Wisconsin Act 9, is
6 amended to read:

7 14.63 (4) **NUMBER OF TUITION UNITS PURCHASED.** A person who enters into a
8 contract under sub. (3) may purchase tuition units at any time and in any number,
9 except that the total number of tuition units purchased on behalf of a single
10 beneficiary may not exceed the number necessary to pay for 4 years of full-time
11 attendance, including mandatory student fees, as a resident undergraduate at the
12 institution within the University of Wisconsin System that has the highest resident
13 undergraduate tuition, as determined by the state treasurer, in the anticipated
14 academic years of their use cover tuition, fees and the costs of room and board, books,
15 supplies and equipment required for enrollment or attendance of the beneficiary at
16 an institution of higher education.

17 **SECTION 5.** 14.63 (5) (a) of the statutes, as affected by 1999 Wisconsin Act 9, is
18 amended to read:

19 14.63 (5) (a) Except as provided in sub. (7m), if an individual named as
20 beneficiary in a contract under sub. (3) attends an institution of higher education in
21 the United States, each tuition unit purchased on his or her behalf entitles that
22 beneficiary to apply toward the payment of tuition and mandatory student, fees and
23 the costs of room and board, books, supplies and equipment required for enrollment
24 or attendance at the institution an amount equal to 1% of the anticipated weighted
25 average tuition of bachelor's degree-granting institutions within the University of

1 Wisconsin System for the year of attendance, as estimated under sub. (2) in the year
2 in which the tuition unit was purchased.

3 **SECTION 6.** 14.63 (5) (b) (intro.) and 2. of the statutes, as affected by 1999
4 Wisconsin Act 9, are amended to read:

5 14.63 (5) (b) (intro.) Upon request by the beneficiary, the state treasurer shall
6 pay to the institution or beneficiary, whichever is appropriate, in each semester of
7 attendance the lesser of the following:

8 2. An amount equal to the sum of the institution's tuition ~~and mandatory~~
9 ~~student, fees~~ and the costs described in par. (a) for that semester.

10 **SECTION 7.** 14.63 (8) of the statutes, as affected by 1999 Wisconsin Act 9, is
11 amended to read:

12 14.63 (8) EXEMPTION FROM GARNISHMENT, ATTACHMENT AND EXECUTION. Moneys
13 deposited in the tuition trust fund and a beneficiary's right to the payment of tuition
14 ~~and mandatory student, fees~~ and the costs described in sub. (5)(a) under this section
15 are not subject to garnishment, attachment, execution or any other process of law.

16 **SECTION 8.** 14.63 (11) (b) of the statutes, as affected by 1999 Wisconsin Act 9,
17 is amended to read:

18 14.63 (11) (b) The requirements to pay tuition ~~and mandatory student, fees~~ and
19 the costs of room and board, books, supplies and equipment under sub. (5) and to
20 make refunds under sub. (7) are subject to the availability of sufficient assets in the
21 tuition trust fund.

22 **SECTION 8m.** 14.63 (11m) of the statutes is created to read:

23 14.63 (11m) FINANCIAL AID CALCULATIONS. The value of tuition units shall not
24 be included in the calculation of a beneficiary's eligibility for state financial aid for
25 higher education if the beneficiary notifies the higher educational aids board and the

1 institution of higher education that the beneficiary is planning to attend that he or
2 she is a beneficiary of a contract under this section and the contract owner agrees to
3 release to the higher educational aids board and the institution of higher education
4 information necessary for the calculation under this subsection.

5 **SECTION 8r.** 14.63 (13) of the statutes, as affected by 1999 Wisconsin Act 9, is
6 amended to read:

7 **14.63 (13) PROGRAM TERMINATION.** If the state treasurer determines that the
8 program under this section is financially infeasible, the state treasurer shall
9 discontinue entering into ~~tuition-prepayment~~ contracts under sub. (3) and
10 discontinue selling tuition units under sub. (4).

11 **SECTION 9.** 14.64 of the statutes is created to read:

12 **14.64 College savings program. (1) DEFINITIONS.** In this section:

13 (a) "Account owner" means an individual who establishes a college savings
14 account under this section.

15 (b) "Board" means the college savings program board.

16 **(2) DUTIES OF THE BOARD.** The board shall do all of the following:

17 (a) Except as provided in s. 16.25, establish and administer a college savings
18 program that allows an individual, trust, legal guardian or entity described under
19 26 USC 529 (e)(1)(C) to establish a college savings account to cover tuition, fees and
20 the costs of room and board, books, supplies and equipment required for the
21 enrollment or attendance of a beneficiary at an eligible educational institution, as
22 defined under 26 USC 529.

23 (b) Ensure that the college savings program meets the requirements of a
24 qualified state tuition plan under 26 USC 529.

1 (c) Invest the contributions to college savings accounts and pay distributions
2 to beneficiaries and eligible educational institutions.

3 (d) Provide to each account owner, and to persons who are interested in
4 establishing a college savings account, information about current and estimated
5 future higher education costs, levels of participation in the college savings program
6 that will help achieve educational funding objectives and availability of and access
7 to financial aid.

8 (e) Promulgate rules to implement and administer this section, including rules
9 that determine whether a withdrawal from a college savings account is a qualified
10 or nonqualified withdrawal, as defined under 26 USC 529, and that impose more
11 than a de minimis penalty, as defined under 26 USC 529, for nonqualified
12 withdrawals.

13 (f) Seek rulings and guidance from the U.S. department of the treasury, the
14 internal revenue service and the securities and exchange commission to ensure the
15 proper implementation and administration of the college savings program.

16 (g) Ensure that if the department of administration changes vendors, the
17 balances of college savings accounts are promptly transferred into investment
18 instruments as similar to the original investment instruments as possible.

19 (h) Keep personal and financial information pertaining to an account owner or
20 a beneficiary closed to the public, except that the board may release to the
21 appropriate state agency information necessary in determining a beneficiary's
22 eligibility for state financial aid for higher education.

23 (3) ACCOUNT OWNERS; BENEFICIARIES; CONTRIBUTIONS; TERMINATION OF SAVINGS
24 ACCOUNTS. (a) An account owner may do all of the following:

25 1. Contribute to a college savings account

1 2. Select a beneficiary of a college savings account.

2 3. Change the beneficiary of a college savings account to a family member, as
3 defined under 26 USC 529, of the previous beneficiary.

4 4. Transfer all or a portion of a college savings account to another college
5 savings account whose beneficiary is a member of the family.

6 5. Designate an individual other than the beneficiary as an individual to whom
7 funds may be paid from a college savings account.

8 6. Receive distributions from a college savings account if no other individual
9 is designated.

10 (b) An individual may be the beneficiary of more than one college savings
11 account, and an account owner may be the beneficiary of a college savings account
12 that the account owner has established.

13 (c) The board shall establish a minimum initial contribution to a college savings
14 account that may be waived if the account owner agrees to contribute to a college
15 savings account through a payroll deduction or automatic deposit plan. The board
16 shall ensure that any such plan permits the adjustment of scheduled deposits
17 because of a change in the account owner's economic circumstances or a beneficiary's
18 educational plans.

19 (d) An account owner under this section may terminate his or her college
20 savings account if any of the following occurs:

21 1. The beneficiary dies or is permanently disabled.

22 2. The beneficiary graduates from high school but is unable to gain admission
23 to an institution of higher education after a good faith effort.

24 3. The beneficiary attended an institution of higher education but involuntarily
25 failed to complete the program in which he or she was enrolled.

1 4. The beneficiary is at least 18 years old and one of the following applies:

2 a. The beneficiary has not graduated from high school.

3 b. The beneficiary has decided not to attend an institution of higher education.

4 c. The beneficiary attended an institution of higher education but voluntarily
5 withdrew without completing the program in which he or she was enrolled.

6 5. Other circumstances determined by the board to be grounds for termination.

7 (e) The board shall terminate a college savings account if any portion of the
8 college savings account balance remains unused 10 years after the anticipated
9 academic year of the beneficiary's initial enrollment in an eligible educational
10 institution.

11 (4) **CONTRACTS WITH PROFESSIONALS.** The board may enter into a contract for the
12 services of accountants, attorneys, consultants and other professionals to assist in
13 the administration and evaluation of the college savings program.

14 (5) **REPORT.** Annually, the board shall submit a report to the governor, and to
15 the appropriate standing committees of the legislature under s. 13.172 (3), on the
16 performance of the college savings program, including any recommended changes to
17 the program.

18 (6) **CONSTRUCTION.** Nothing in this section guarantees an individual's
19 admission to, retention by or graduation from any institution of higher education; a
20 rate of interest or return on a college savings account; or the payment of principal,
21 interest or return on a college savings account.

22 (7) **EXEMPTION FROM GARNISHMENT, ATTACHMENT AND EXECUTION; SECURITY FOR**
23 **LOAN.** (a) A beneficiary's right to qualified withdrawals under this section is not
24 subject to garnishment, attachment, execution or other process of law.

1 (b) No interest in a college savings account may be pledged as security for a
2 loan.

3 (8) FINANCIAL AID CALCULATIONS. The balance of a college savings account shall
4 not be included in the calculation of a beneficiary's eligibility for state financial aid
5 for higher education if the beneficiary notifies the higher educational aids board and
6 the eligible educational institution that the beneficiary is planning to attend that he
7 or she is a beneficiary of a college savings account and if the account owner agrees
8 to release to the higher educational aids board and the eligible educational
9 institution information necessary for the calculation under this subsection.

10 SECTION 10. 15.07 (1) (b) 2. of the statutes is created to read:

11 15.07 (1) (b) 2. College savings program board.

12 SECTION 11. 16.25 of the statutes is created to read:

13 **16.25 College savings program vendor.** (1) The department shall
14 determine the factors to be considered in selecting a vendor of the program under s.
15 14.64, which shall include:

16 (a) The person's ability to satisfy record-keeping and reporting requirements.

17 (b) The fees, if any, that the person proposes to charge account owners.

18 (c) The person's plan for promoting the college savings program and the
19 investment that the person is willing to make to promote the program.

20 (d) The minimum initial contribution or minimum contributions that the
21 person will require.

22 (e) The ability and willingness of the person to accept electronic contributions.

23 (f) The ability of the person to augment the college savings program with
24 additional, beneficial services related to the program.

1 (2) The department shall solicit competitive sealed proposals under s. 16.75
2 (2m) from nongovernmental persons to serve as vendor of the college savings
3 program. The department shall select the vendor based upon factors determined by
4 the department under sub. (1).

5 (3) The contract between the department and the vendor shall ensure all of the
6 following:

7 (a) That the vendor reimburses the state for all administrative costs that the
8 state incurs for the college savings program.

9 (b) That a firm of certified public accountants selected by the vendor annually
10 audits the college savings program and provides a copy of the audit to the college
11 savings program board.

12 (c) That each account owner receives a quarterly statement that identifies the
13 contributions to the college savings account during the preceding quarter, the total
14 contributions to and the value of the college savings account through the end of the
15 preceding quarter and any distributions made during the preceding quarter.

16 (d) That the manager communicate to the beneficiary and account owner the
17 requirements of s. 14.64 (8).

18 **SECTION 12.** 16.75 (2m) (a) of the statutes is amended to read:

19 16.75 (2m) (a) If Except as otherwise required by law, if the secretary or his or
20 her designee determines that the use of competitive sealed bidding is not practicable
21 or not advantageous to this state, the department may solicit competitive sealed
22 proposals. Each request for competitive sealed proposals shall state the relative
23 importance of price and other evaluation factors.

24 **SECTION 13.** 20.585 (1) (gm) of the statutes is created to read:

1 20.585 (1) (gm) *General program operations; reimbursement.* All moneys
2 received from the vendor of the college savings program under s. 16.25 (3) (a) for
3 general programs operations.

4 **SECTION 13dm.** 20.585 (2) (a) of the statutes is amended to read:

5 20.585 (2) (a) *Administrative expenses; general fund.* The amounts in the
6 schedule for the administrative expenses of the college tuition prepayment and
7 expenses program under s. 14.63, including the expense of promoting the program.

8 **SECTION 13dr.** 20.585 (2) (s) of the statutes is amended to read:

9 20.585 (2) (s) *Administrative expenses; tuition trust fund.* From the tuition
10 trust fund, the amounts in the schedule for the administrative expenses of the college
11 tuition prepayment and expenses program under s. 14.63, including the expense of
12 promoting the program.

13 **SECTION 13g.** 71.05 (6) (b) 23. of the statutes, as affected by 1999 Wisconsin Act
14 9, is amended to read:

15 71.05 (6) (b) 23. Any increase in value of a tuition unit that is purchased under
16 a tuition contract under s. 14.63, except that the subtraction under this subdivision
17 may not be claimed by any individual who received a refund under s. 14.63 (7) (a) 2.,
18 3. or 4.

19 **SECTION 13h.** 71.05 (6) (b) 28. h. of the statutes is created to read:

20 71.05 (6) (b) 28. h. No modification may be claimed under this subdivision for
21 an amount paid for tuition expenses, as described under this subdivision, if the
22 source of the payment is an amount withdrawn from a college savings account, as
23 described in s. 14.64 or from a college tuition prepayment program, as described in
24 s. 14.63.

25 **SECTION 13j.** 71.05 (6) (b) 31. of the statutes is created to read:

1 71.05 (6) (b) 31. Any increase in value of a college savings account, as described
2 in s. 14.64, except that the subtraction under this subdivision may not be claimed by
3 any individual who has made an unqualified withdrawal, as described in s. 14.64 (2)
4 (e).

5 **SECTION 13m.** 71.05 (6) (b) 32. of the statutes is created to read:

6 71.05 (6) (b) 32. An amount paid into a college savings account, as described
7 in s. 14.64, if the beneficiary of the account either is the claimant or is the claimant's
8 child and the claimant's dependent who is claimed under section 151 (c) of the
9 Internal Revenue Code, calculated as follows:

10 a. An amount equal to not more than \$3,000 per beneficiary for each year to
11 which the claim relates.

12 b. For an individual who is a nonresident or part-year resident of this state,
13 multiply the amount calculated under subd. 32. a. by a fraction the numerator of
14 which is the individual's wages, salary, tips, unearned income and net earnings from
15 a trade or business that are taxable by this state and the denominator of which is the
16 individual's total wages, salary, tips, unearned income and net earnings from a trade
17 or business. In this subd. 32. b., for married persons filing separately "wages, salary,
18 tips, unearned income and net earnings from a trade or business" means the separate
19 wages, salary, tips, unearned income and net earnings from a trade or business of
20 each spouse, and for married persons filing jointly "wages, salary, tips, unearned
21 income and net earnings from a trade or business" means the total wages, salary,
22 tips, unearned income and net earnings from a trade or business of both spouses.

23 c. Reduce the amount calculated under subd. 32. a. or b. to the individual's
24 aggregate wages, salary, tips, unearned income and net earnings from a trade or
25 business that are taxable by this state.

1 **SECTION 13p.** 71.05 (6) (b) 33. of the statutes is created to read:

2 71.05 (6) (b) 33. An amount paid into a college tuition prepayment program,
3 as described in s. 14.63, if the beneficiary of the account either is the claimant or is
4 the claimant's child and the claimant's dependent who is claimed under section 151
5 (c) of the Internal Revenue Code, calculated as follows:

6 a. An amount equal to not more than \$3,000 per beneficiary for each year to
7 which the claim relates.

8 b. For an individual who is a nonresident or part-year resident of this state,
9 multiply the amount calculated under subd. 33. a. by a fraction the numerator of
10 which is the individual's wages, salary, tips, unearned income and net earnings from
11 a trade or business that are taxable by this state and the denominator of which is the
12 individual's total wages, salary, tips, unearned income and net earnings from a trade
13 or business. In this subd. 33. b., for married persons filing separately "wages, salary,
14 tips, unearned income and net earnings from a trade or business" means the separate
15 wages, salary, tips, unearned income and net earnings from a trade or business of
16 each spouse, and for married persons filing jointly "wages, salary, tips, unearned
17 income and net earnings from a trade or business" means the total wages, salary,
18 tips, unearned income and net earnings from a trade or business of both spouses.

19 c. Reduce the amount calculated under subd. 33. a. or b. to the individual's
20 aggregate wages, salary, tips, unearned income and net earnings from a trade or
21 business that are taxable by this state.

22 **SECTION 14.** 815.18 (3) (p) of the statutes is created to read:

23 815.18 (3) (p) *College savings accounts.* An interest in a college savings account
24 under s. 14.64.

25 **SECTION 15. Nonstatutory provisions.**

1 (1) (a) Notwithstanding section 15.07 (1) (b) 2. of the statutes, as created by this
2 act, the governor may provisionally appoint initial members of the college savings
3 program board under section 14.57 of the statutes, as created by this act. Those
4 provisional appointments are in force until the governor withdraws them or the
5 senate acts upon them, and if the senate confirms them, they continue for the
6 remainder of the unexpired terms, if any, of the members and until successors are
7 chosen and qualify. A provisional appointee may exercise all the powers and duties
8 of board membership to which the person is appointed during the time in which the
9 appointee qualifies.

10 (b) A provisional appointment under paragraph (a) that the governor
11 withdraws lapses upon withdrawal and creates a vacancy for the provisional
12 appointment of another initial member of the college savings program board. A
13 provisional appointment that the governor makes under paragraph (a) and that the
14 senate rejects lapses upon rejection and creates a vacancy for nomination and
15 appointment under section 15.07 (1) (b) 2. of the statutes, as created by this act, of
16 another initial board member.

17 (2) Notwithstanding the length of the terms specified in section 14.57 (6) of the
18 statutes, as created by this act, the initial terms of 3 of the members appointed under
19 section 14.57 (6) of the statutes, as created by this act, expire on May 1, 2003, and
20 the initial terms of 3 of the members expire on May 1, 2005.

21 **SECTION 15m. Initial applicability.**

22 (1) The treatment of section 71.05 (6) (b) 23., 28. h., 31., 32. and 33. of the
23 statutes first applies to taxable years beginning on January 1 of the year in which
24 this subsection takes effect, except that if this subsection takes effect after July 31
25 the treatment of section 71.05 (6) (b) 28. h., 31. and 32. of the statutes first applies

1 to taxable years beginning on January 1 of the year following the year in which this
2 subsection takes effect.

3 **SECTION 16. Effective dates.** This act takes effect on the first day of the 10th
4 month following publication, except as follows:

5 (1) The treatment of sections 14.57 and 15.07 (1) (b) 2. of the statutes and
6 SECTION 15 of this act take effect the day after publication.

7 (2) The treatment of sections 14.63 (title), (3) (title), (a) 1. and 3. and (c), (4), (5)
8 (a) and (b) (intro.) and 2., (11) (b), (11m) and (13), 14.64 (8) and 20.585 (2) (a) and (s)
9 of the statutes takes effect on the first day of the 4th month following publication.

10 (END)