

Chapter DFI-CSP 1

WISCONSIN COLLEGE SAVINGS PROGRAM BOARD

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Note: Chapter Treas 1 was created as an emergency rule effective January 7, 2002. Chapter Treas 1 was renumbered chapter Adm 81 under s. 13.92 (4) (b) 1., Stats., Register December 2011 No. 672. Chapter Adm 81 was renumbered chapter DFI-CSP 1 under s. 13.92 (4) (b) 1., Stats., Register October 2017 No. 742.

DFI-CSP 1.01 Purpose and analysis. This chapter establishes the procedures, standards and eligibility requirements for investment in accounts under the Wisconsin college savings program, into which a participant may invest funds to be used by individual beneficiaries to pay the cost of attendance at an institution of higher education. The Wisconsin college savings program is established as a qualified tuition program pursuant to section 529 of the internal revenue code [26 USC 529], and is administered by the department.

Note: The application form referenced in s. DFI-CSP 1.04 (1) and the distribution request form referenced in s. DFI-CSP 1.11 (2) are available on the Wisconsin College Savings Program website at: www.edvest.com, or by writing to: EdVEST, P.O. Box 7864, Madison, WI 53707-7864.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03; correction made under s. 13.92 (4) (b) 6., Stats., Register December 2011 No. 672.

DFI-CSP 1.02 Definitions. In this chapter:

(1) “Account” means a formal record of transactions maintained for a particular designated beneficiary to meet qualified higher education expenses under the program.

(2) “Account owner” has the meaning set forth in s. 224.50 (1) (a), Stats.

(3) “Board” means the Wisconsin college savings program board.

(4) “Cash” includes checks, money orders, wire transfers, or electronic funds transfers through payroll deduction, automatic contribution plans or similar methods, but does not include currency.

(5) “Contribution” means any payment directly allocated to an account for the benefit of a designated beneficiary or that is used to pay administrative or other fees associated with the account.

(6) “Department” means the Wisconsin department of financial institutions.

(7) “Designated beneficiary” has the meaning found in section 529 (e) (1) of the internal revenue code.

(8) “Eligible educational institution” has the meaning found in section 529 (e) (5) of the internal revenue code.

(9) “Maximum contribution limit” is the sum total market value amount established by the board that may be accumulated in the accounts of a designated beneficiary to meet qualified higher education expenses.

(10) “Member of the family” has the meaning found in section 529(e)(2) of the internal revenue code.

(11) “Non-qualified distribution” means any distribution of funds from an account that is not a qualified distribution.

(12) “Person” includes an individual, a trust, or a body corporate or politic.

(13) “Program” means the qualified tuition program established under s. 224.50, Stats.

(14) “Program description and participation agreement” means the contract between an account owner and the board setting forth the terms and conditions under which the account owner participates in the program.

(15) “Program manager” means the entity under contract with the department to serve as the program administrator, marketing agent and investment manager of the program.

(16) “Qualified distribution” means any distribution of funds, as defined in section 529 of the internal revenue code, for qualified higher education expenses from an account pursuant to a distribution request from the account owner.

(17) “Qualified higher education expenses” includes any expense treated as a “qualified higher education expense” under section 529 of the internal revenue code.

(18) “Qualified tuition program” means a savings program to help defray the cost of college expenses under section 529 of the internal revenue code.

(19) “Rollover contribution” means the transfer of all or part of an account from one qualified tuition program account to another qualified tuition program account.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03; correction in (2), (13) made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672; correction in (6) made under s. 13.92 (4) (b) 6., Stats., and correction in (2), (13) made under s. 13.92 (4) (b) 7., Stats., Register October 2017 No. 742; CR 19-120: am. Register May 2020 No. 773, eff. 6-1-20.

DFI-CSP 1.03 Account owner eligibility. Any person legally able to contract under applicable state law is eligible to establish an account for the benefit of a designated individual. To the extent permitted by section 529 of the internal revenue code, there may be more than one account owner per account.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03; CR 19-120: am. Register May 2020 No. 773, eff. 6-1-20.

DFI-CSP 1.04 Opening an account. (1) To open an account, an applicant shall submit a properly completed and signed application, which incorporates the program description and participation agreement, to the program manager. A contribution may be made as provided in s. DFI-CSP 1.09 or by any alternate method established by the board or the program manager.

(2) An applicant shall select an available investment option in which all contributions to the account shall be invested. After an account has been opened, the investment option selected may only be changed as permitted under section 529 of the internal revenue code and any regulations issued thereunder.

(3) The participation agreement shall be accompanied by a

program description supplied by the program manager disclosing the program characteristics, including the investment options, investment risks, program fees, and other information as determined by the board and the program manager.

(4) Acceptance by the program manager of application materials, the initial contribution, or selection of contribution method for processing shall not be deemed an agreement to open an account.

(5) The program manager shall accept applications to open accounts and accept subsequent contributions for a designated beneficiary in the order they are received, up to the maximum contribution limit.

(6) Upon determining that an application has met all the requirements for opening an account, the program manager shall notify the applicant in writing that an account has been established.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03; correction in (1) made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672; correction in (1) made under s. 13.92 (4) (b) 7., Stats., Register October 2017 No. 742.

DFI-CSP 1.05 Refusal to open an account. The program manager or the board may refuse to open an account for any of the following reasons:

(1) The applicant is not an eligible account owner.

(2) The applicant has not provided all of the information required in the application.

(3) The maximum contribution level for the proposed designated beneficiary has already been met.

(4) The execution of a participation agreement violates any federal or state law.

(5) The board determines that the number of accounts in the program should be limited.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.06 Change of account ownership. (1)

An account owner may designate a successor who shall become the new account owner automatically upon the death of the account owner. This designation may be made at any time by submitting a written designation of the successor to the program manager containing the information set forth in the account change request form. Designation of a successor shall be effective upon registration in the records of the program manager.

(2) If a change in the ownership of an account is required by a court order directing such change, or by an affidavit or declaration that is recognized under applicable law as requiring transfer of ownership upon death without a court order, such change shall be effective upon receipt by the program manager of such information unless otherwise required by law.

(3) Any other request to transfer ownership to a new account owner shall be made by submitting to the program manager a written designation of a new account owner containing the information set forth in the program description and participation agreement. Transfer of ownership shall not be effective until registered in the records of the program manager.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.07 Designated beneficiary. Any individual regardless of age or relationship to the account owner, including the account owner, may be a designated beneficiary under the program. There shall be only one designated beneficiary per account. Subject to the maximum contribution level, any number of accounts may be opened for a single designated beneficiary.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.08 Change of designated beneficiary. (1)

Only an account owner may change the designated beneficiary of an account. The designated beneficiary may only be changed to a member of the family of that designated beneficiary.

(2) To change a designated beneficiary, the account owner shall submit a written request to the program manager containing all the information set forth in the program description and participation agreement.

(3) Upon receipt of the written request, the program manager shall register the information regarding the newly designated beneficiary in the records of the program. The change of the designated beneficiary shall be effective upon registration.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.09 Contributions. (1) CASH CONTRIBUTIONS. Any person may make a contribution to an account of a designated beneficiary. Contributions shall be made only in cash.

(2) **MAXIMUM CONTRIBUTION LIMIT.** Contributions to the accounts established for a designated beneficiary shall not, in the aggregate, exceed that amount necessary to provide for the qualified higher education expenses of the designated beneficiary. The board shall establish from time to time the maximum amount that may be contributed in the aggregate to the accounts of an individual designated beneficiary. Contributions in excess of that limit shall not be accepted and shall be returned to the contributor.

(3) **MINIMUM CONTRIBUTION LIMIT.** The minimum amount contributed at the time an account is opened under s. DFI-CSP 1.04, and the minimum amount of any additional contribution to be made to an account shall be established from time to time by the board and set forth in the program description and participation agreement.

(4) **ROLLOVER CONTRIBUTIONS.** Rollovers from another state's qualified tuition program are permitted to the extent allowed by that state's program and by section 529 of the internal revenue code. When making a rollover contribution, the account owner shall complete the forms and make such disclosures of financial information as set forth in the program description and participation agreement. If the rollover distribution deposited in the program account would cause the total account balance of all accounts for that designated beneficiary to exceed the maximum contribution limit, the program manager shall refuse the excess funds.

(5) **INVESTMENT DIRECTION PROHIBITION.** Except as permitted under section 529 of the internal revenue code and any regulations issued thereunder, no person contributing to an account may direct the investment or investment earnings of any contribution of an account.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03; correction in (3) made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672; correction in (3) made under s. 13.92 (4) (b) 7., Stats., Register October 2017 No. 742; CR 19-120: am. (4) Register May 2020 No. 773, eff. 6-1-20.

DFI-CSP 1.10 Separate accounting. Separate records and accounting shall be maintained for each account established under the program. The program manager shall issue reports to each account owner at least annually.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.11 General distributions. (1) CALCULATING EARNINGS ON MULTIPLE ACCOUNTS. If an individual is the designated beneficiary of more than one account, all contributions and earnings with respect to those accounts shall be treated in a manner consistent with the requirements of section 529 of the internal revenue service for purposes of calculating the earnings portions of any distribution with respect to that designated beneficiary.

(2) **DISTRIBUTION REQUESTS.** An account owner may request

a distribution of funds by submitting to the program manager at least three business days prior to the date of the requested distribution a completed distribution request form. Upon receipt, the program manager shall commence processing properly completed distribution request forms as soon as practicable.

(3) DISTRIBUTION LIMITATION. A designated beneficiary may not authorize distribution or withdrawal of account funds.

(4) NONQUALIFIED DISTRIBUTION. A distribution of funds from an account for any use other than qualified higher education expenses for the designated beneficiary constitutes a nonqualified distribution and may be subject to the additional tax imposed by section 529(c)(6) of the internal revenue code.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.12 Refund of qualified distribution payment. An eligible educational institution that owes a full or partial refund of a qualified distribution due to an overpayment of educational expenses or for any other reason shall pay the refund in any manner permitted by section 529 of the internal revenue code.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03; CR 19-120: am. Register May 2020 No. 773, eff. 6-1-20.

DFI-CSP 1.13 Account termination. (1) The board shall determine the conditions under which an account may be terminated, including but not limited to the following:

- (a) The account balance is below an established minimum.
- (b) The account has been inactive for an established amount of time.
- (c) Any portion of the account remains unused 10 years after

the anticipated academic year of the designated beneficiary's initial enrollment in an eligible educational institution.

(d) The account owner or the designated beneficiary provides false or misleading information to the board, the program manager, or an eligible educational institution.

(2) Prior to termination, the program manager shall give reasonable notice to the account owner of the proposed termination. The notice shall provide a reasonable period of time, as determined by the board, in which to prevent termination by either making an additional contribution or a qualified distribution as necessary. Upon termination, the account balance shall be paid to the account owner as a nonqualified distribution, subject to applicable federal or state taxes, and any additional fees as determined by the board.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.14 Fees. The board may charge account owners a fee for the administrative expenses of the program. Fees shall be clearly identified in the program description that accompanies the participation agreement.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.15 Penalties. The board may impose penalties as necessary to maintain eligibility as a qualified tuition program under section 529 of the internal revenue code.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.

DFI-CSP 1.16 Investment policies. The board shall establish all investment guidelines for the program.

History: CR 02-009: cr. Register January 2003 No. 565, eff. 2-1-03.