

SENATE BILL NO. 1002

September 17, 2024, Introduced by Senators BAYER, SHINK and GEISS and referred to the Committee on Appropriations.

A bill to amend 2000 PA 161, entitled "Michigan education savings program act," by amending sections 2 and 16 (MCL 390.1472 and 390.1486), section 2 as amended by 2010 PA 6.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. As used in this act:

2 (a) "Account" or "education savings account" means an account
3 established under this act.

4 (b) "Account owner" means any of the following:

1 (i) The individual who enters into a Michigan education savings
2 program agreement and establishes an education savings account. The
3 account owner may also be the designated beneficiary of the
4 account.

5 (ii) A state or local government agency or instrumentality, an
6 entity exempt from taxation under section 501(c)(3) of the internal
7 revenue code, an estate or trust, or a corporation that enters into
8 a Michigan education savings program agreement and establishes an
9 education savings account.

10 (c) "Board" means the board of directors of the Michigan
11 education trust described in section 10 of the Michigan education
12 trust act, 1986 PA 316, MCL 390.1430.

13 (d) "Department" means the department of treasury.

14 (e) "Designated beneficiary" means the individual designated
15 as the individual whose higher education expenses are expected to
16 be paid from the account.

17 (f) "Eligible educational institution" means that term as
18 defined in section 529 of the internal revenue code or a college,
19 university, community college, or junior college described in
20 section 4, 5, or 6 of article VIII of the state constitution of
21 1963 or established under section 7 of article VIII of the state
22 constitution of 1963.

23 (g) "Internal revenue code" means the United States internal
24 revenue code of 1986 in effect on January 1, ~~2002~~**2023** or at the
25 option of the taxpayer, in effect for the current year.

26 (h) "Management contract" means the contract executed between
27 the treasurer and a program manager.

28 (i) "Member of the family" means a family member as defined in
29 section 529 of the internal revenue code.

1 (j) "Michigan education savings program agreement" means the
2 agreement between the program and an account owner that establishes
3 an education savings account.

4 (k) "Program" means the Michigan education savings program
5 established pursuant to this act.

6 (l) "Program manager" means an entity selected by the treasurer
7 to act as a manager of 1 or more of the savings plans offered under
8 the program.

9 (m) "Qualified higher education expenses" means qualified
10 higher education expenses as defined in section 529 of the internal
11 revenue code **and includes the following:** -

12 (i) **Expenses for fees, books, supplies, and equipment required**
13 **for participation of a designated beneficiary in an apprenticeship**
14 **program registered and certified with the United States Secretary**
15 **of Labor under the national apprenticeship act, 29 USC 50 to 50c,**
16 **as provided in section 529(c) (8) of the internal revenue code.**

17 (ii) **Amounts paid as principal or interest on any qualified**
18 **education loan as provided in section 529(c) (9) of the internal**
19 **revenue code.**

20 (n) "Qualified withdrawal" means a distribution that is not
21 subject to a penalty or an excise tax under section 529 of the
22 internal revenue code, a penalty under this act, or taxation under
23 the income tax act of 1967, 1967 PA 281, MCL 206.1 to ~~206.532~~
24 **206.847**, and that meets any of the following:

25 (i) A withdrawal from an account to pay the qualified higher
26 education expenses of the designated beneficiary incurred after the
27 account is established.

28 (ii) A withdrawal made as the result of the death or disability
29 of the designated beneficiary of an account.

1 (iii) A withdrawal made because a beneficiary received a
2 scholarship that paid for all or part of the qualified higher
3 education expenses of the beneficiary to the extent the amount of
4 the withdrawal does not exceed the amount of the scholarship.

5 (iv) A withdrawal made because a beneficiary attended a service
6 academy to the extent that the amount of the withdrawal does not
7 exceed the costs of the advanced education attributable to the
8 beneficiary's attendance in the service academy.

9 (v) A transfer of funds due to the termination of the
10 management contract as provided in section 5.

11 (vi) A transfer of funds as provided in section 8.

12 (o) "Savings plan" or "plans" means a plan that provides
13 different investment strategies and allows account distributions
14 for qualified higher education expenses.

15 (p) "Service academy" means the United States ~~military~~
16 ~~academy, **Military Academy**,~~ United States ~~naval academy, **Naval**~~
17 ~~**Academy**,~~ United States ~~air force academy, **Air Force Academy**,~~ United
18 States ~~east guard academy, **Coast Guard Academy**,~~ or United States
19 ~~merchant marine academy. **Merchant Marine Academy**.~~

20 (q) "Treasurer" means the state treasurer.

21 Sec. 16. (1) Contributions to and interest earned on an
22 education savings account are exempt from taxation as provided in
23 ~~sections 30 and 30f~~ **section 30** of the income tax act of 1967, 1967
24 PA 281, MCL 206.30. ~~and 206.30f.~~

25 (2) Withdrawals made from education savings accounts are
26 taxable as provided in section 30 of the income tax act of 1967,
27 1967 PA 281, MCL 206.30.