

SENATE SUBSTITUTE
FOR
SENATE BILL NO. 882

AN ACT

To repeal section 166.435 as enacted by senate bill no. 366, ninety-eighth general assembly, first regular session and section 166.435 as enacted by senate bill no. 863, ninety-fourth general assembly, second regular session, RSMo, and to enact in lieu thereof one new section relating to the Missouri higher education savings program.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Section 166.435 as enacted by senate bill no.
2 366, ninety-eighth general assembly, first regular session and
3 section 166.435 as enacted by senate bill no. 863, ninety-fourth
4 general assembly, second regular session, RSMo, are repealed and
5 one new section enacted in lieu thereof, to be known as section
6 166.435, to read as follows:

7 166.435. 1. Notwithstanding any law to the contrary, the
8 assets of the savings program held by the board, the assets of
9 any deposit program authorized in section 166.500, and the assets
10 of any qualified tuition savings program established pursuant to
11 Section 529 of the Internal Revenue Code and any income therefrom
12 shall be exempt from all taxation by the state or any of its
13 political subdivisions. Income earned or received from the
14 savings program, deposit, or other qualified tuition savings
15 programs established under Section 529 of the Internal Revenue
16 Code [program], or refunds of qualified higher education expenses

1 received by a beneficiary from an eligible educational
2 institution in connection with withdrawal from enrollment at such
3 institution which are contributed within sixty days of withdrawal
4 to a qualified tuition savings program of which such individual
5 is a beneficiary shall not be subject to state income tax imposed
6 pursuant to chapter 143 and shall be eligible for any benefits
7 provided in accordance with Section 529 of the Internal Revenue
8 Code. The exemption from taxation pursuant to this section shall
9 apply only to assets and income maintained, accrued, or expended
10 pursuant to the requirements of the savings program established
11 pursuant to sections 166.400 to 166.455, the deposit program
12 established pursuant to sections 166.500 to 166.529, and other
13 qualified tuition savings programs established under Section 529
14 of the Internal Revenue Code, and no exemption shall apply to
15 assets and income expended for any other purposes. Annual
16 contributions made to the savings program held by the board, the
17 deposit program, and any qualified tuition savings program
18 established under Section 529 of the Internal Revenue Code up to
19 and including eight thousand dollars per participating taxpayer,
20 and up to sixteen thousand dollars for married individuals filing
21 a joint tax return, shall be subtracted in determining Missouri
22 adjusted gross income pursuant to section 143.121.

23 2. If any deductible contributions to or earnings from any
24 such program referred to in this section are distributed and not
25 used to pay qualified higher education expenses, not transferred
26 as allowed by 26 U.S.C. 529(c)(3)(C)(i), as amended, and any
27 Internal Revenue Service regulations or guidance issued in
28 relation thereto, or are not held for the minimum length of time

1 established by the appropriate Missouri board, then the amount so
2 distributed shall be [added to] included in the Missouri adjusted
3 gross income of the participant, or, if the participant is not
4 living, the beneficiary.

5 3. The provisions of this section shall apply to tax years
6 beginning on or after January 1, 2008, and the provisions of this
7 section with regard to sections 166.500 to 166.529 shall apply to
8 tax years beginning on or after January 1, 2004.

9 [4. The repeal and reenactment of this section shall become
10 effective only upon notification by the State Treasurer to the
11 Revisor of Statutes of the passage of H.R. 529 of the 114th
12 United States Congress.]

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14 [166.435. 1. Notwithstanding any law to the
15 contrary, the assets of the savings program held by the
16 board, the assets of any deposit program authorized in
17 section 166.500, and the assets of any qualified
18 tuition savings program established pursuant to Section
19 529 of the Internal Revenue Code and any income
20 therefrom shall be exempt from all taxation by the
21 state or any of its political subdivisions. Income
22 earned or received from the savings program, deposit,
23 or other qualified tuition savings programs established
24 under Section 529 of the Internal Revenue Code program
25 shall not be subject to state income tax imposed
26 pursuant to chapter 143 and shall be eligible for any
27 benefits provided in accordance with Section 529 of the
28 Internal Revenue Code. The exemption from taxation
29 pursuant to this section shall apply only to assets and
30 income maintained, accrued, or expended pursuant to the
31 requirements of the savings program established
32 pursuant to sections 166.400 to 166.455, the deposit
33 program established pursuant to sections 166.500 to
34 166.529, and other qualified tuition savings programs
35 established under Section 529 of the Internal Revenue
36 Code, and no exemption shall apply to assets and income
37 expended for any other purposes. Annual contributions
38 made to the savings program held by the board, the
39 deposit program, and any qualified tuition savings
40 program established under Section 529 of the Internal
41 Revenue Code up to and including eight thousand dollars

1 per participating taxpayer, and up to sixteen thousand
2 dollars for married individuals filing a joint tax
3 return, shall be subtracted in determining Missouri
4 adjusted gross income pursuant to section 143.121.

5 2. If any deductible contributions to or earnings
6 from any such program referred to in this section are
7 distributed and not used to pay qualified higher
8 education expenses or are not held for the minimum
9 length of time established by the appropriate Missouri
10 board, the amount so distributed shall be added to the
11 Missouri adjusted gross income of the participant, or,
12 if the participant is not living, the beneficiary.

13 3. The provisions of this section shall apply to
14 tax years beginning on or after January 1, 2008, and
15 the provisions of this section with regard to sections
16 166.500 to 166.529 shall apply to tax years beginning
17 on or after January 1, 2004.】
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