SECOND REGULAR SESSION

HOUSE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 863

94TH GENERAL ASSEMBLY

AN ACT

To repeal sections 166.425 and 166.435, RSMo, and to enact in lieu thereof two new sections relating to the income tax deduction for contributions to the Missouri higher education savings program.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 166.425 and 166.435, RSMo, are repealed and two new sections
2 enacted in lieu thereof, to be known as sections 166.425 and 166.435, to read as follows:
166.425. All money paid by a participant in connection with participation agreements
2 shall be deposited as received and shall be promptly invested by the board. Contributions and
3 earnings thereon accumulated on behalf of participants in the savings program may be used, as
4 provided in the participation agreement, for qualified higher education expenses. **Such**
5 **contributions and earnings shall not be considered income for purposes of determining a**
6 **participant's eligibility for financial assistance under any state student aid program.**
166.435. 1. Notwithstanding any law to the contrary, the assets of the savings program
2 held by the board **[**and**]** **,** the assets of any deposit program authorized in section 166.500**,** and
3 **the assets of any** qualified **tuition savings program established** pursuant to Section 529 of the
4 Internal Revenue Code and any income therefrom shall be exempt from all taxation by the state
5 or any of its political subdivisions. Income earned or received from the savings program **[**or**]**
6 **,** deposit**, or other qualified tuition savings programs established under Section 529 of the**
7 **Internal Revenue Code** program shall not be subject to state income tax imposed pursuant to
8 chapter 143, RSMo, and shall be eligible for any benefits provided in accordance with Section

EXPLANATION — Matter enclosed in bold-faced brackets **[**thus**]** in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

9   529 of the Internal Revenue Code. The exemption from taxation pursuant to this section shall

10 apply only to assets and income maintained, accrued, or expended pursuant to the requirements

11 of the savings program established pursuant to sections 166.400 to 166.455, **[**and**]** the deposit

12 program established pursuant to sections 166.500 to 166.529, and **other qualified tuition**

13 **savings programs established under** Section 529 of the Internal Revenue Code, and no

14 exemption shall apply to assets and income expended for any other purposes. Annual

15 contributions made to the savings program held by the board **[**and**]** **,** the deposit program**, and**

16 **any qualified tuition savings program established under Section 529 of the Internal**

17 **Revenue Code** up to and including eight thousand dollars **[**for the participant**]** **per participating**

18 taxpayer**, and up to sixteen thousand dollars for married individuals filing a joint tax**

19 **return,** shall be subtracted in determining Missouri adjusted gross income pursuant to section

20 143.121, RSMo.

21   2. If any deductible contributions to or earnings from any such program referred to in

22 this section are distributed and not used to pay qualified higher education expenses or are not

23 held for the minimum length of time established by the appropriate Missouri **[**state authority**]**

24 **board**, the amount so distributed shall be added to the Missouri adjusted gross income of the

25 participant, or, if the participant is not living, the beneficiary.

26   3. The provisions of this section shall apply to tax years beginning on or after January

27 1, **[**1999**] 2008**, and the provisions of this section with regard to sections 166.500 to 166.529

28 shall apply to tax years beginning on or after January 1, 2004.

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