Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4887 (as passed by the House)
Sponsor: Representative Anthony G. Forlini
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 2-16-16

CONTENT

The bill would amend the Michigan Education Savings Program Act to remove restrictions on when an account owner of a Michigan education savings account may select from different investment strategies designed by a program manager.

The Michigan Education Savings Program allows for the establishment of education savings accounts for the purpose of saving money to pay the qualified higher education expenses of one or more designated beneficiaries. An "account owner" is any of the following:

-- The individual who enters into a Michigan Education Savings Program agreement and establishes an education savings account (who also may be the designated beneficiary of the account).
-- A State or local government agency or instrumentality, an entity exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (which generally applies to charitable, nonprofit organizations), an estate or trust, or a corporation that enters into a Michigan Education Savings Program agreement and establishes an education savings account.

The Act states that, except as otherwise provided, an account owner or a designated beneficiary of any account may not direct the investment of any contributions to an account or the earnings on an account. However, an account owner may select from different investment strategies designed by a program manager in all of the following circumstances to the extent allowed under Section 529 of the Internal Revenue Code (IRC):

-- At the time any contribution is made to an account with respect to the amount of that contribution.
-- Once each calendar year with respect to the accumulated account balance.
-- When an account owner makes a change in designated beneficiary of an account.

The bill would eliminate these circumstances under which an account owner may make changes to the investment strategy, allowing an account owner to select from investment strategies designed by a program manager to the extent allowed under Section 259 of the IRC.

(Section 529 of the Internal Revenue Code governs a "qualified tuition program".)

MCL 390.1479

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: David Zin