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MEMORANDUM

To: Chairman Kelly and members of the House Financial Institutions and Pensions Committee

From: David Wiese, Assistant Revisor

Date: February 25, 2019

Subject: **HB 2096; Establishing the Kansas children's savings account program.**

House Bill No. 2096 establishes the Kansas children's savings account program. The program is to be implemented and administered by the state treasurer in accordance with section 529 of the federal internal revenue code.

Section 1 names the Kansas children's savings account program and provides that the purpose of the program is to establish savings accounts to facilitate the saving of private moneys by individuals and families, together with any authorized state moneys, to assist children in meeting expenses incurred in availing themselves of high education opportunities, to foster expectations of postsecondary education from an early age and to provide guidelines for the maintenance of such accounts.

Section 2 provides definitions for the program.

Section 3 outlines the authorities and responsibilities the state treasurer has regarding the program. The administrative fees for the program shall not exceed the fees imposed for the current Learning Quest 529 plan.

Section 4 gives the treasurer the power to implement the program through use of financial organizations as account depositories and managers and provides the criteria by which the treasurer shall select program depositories and managers. The current program manager of the existing Learning Quest 529 plan may also make a proposal to act as the

mangers of the program. This section also includes the minimum requirements for the management contract with the financial organization.

Section 5 governs the Kansas children's savings accounts, including requirements for contributions, disclosure of information to account owners, fees and other terms and conditions for such accounts. The treasurer shall establish an account for each child born in Kansas within six months after receiving birth information from the office of vital statistics. A box shall be included on all birth certificate applications allowing a parent to consent to sharing the child's information, including, social security number, date of birth and any other information deemed necessary by the treasurer with the office of vital statistics and the office of the state treasurer for the purpose of establishing an account. For each child eligible for public assistance as provided in K.S.A. 39-709, and amendments thereto, the program shall provide an initial funding of \$250 per account out of unencumbered temporary assistances for needy families (TANF) moneys. All assets in the account are exempt from any asset test for determining eligibility for any public assistance.

Section 6 provides that nothing in the program shall be construed to:

- (1) Give any designated beneficiary any rights or legal rights with respect to an account unless the designated beneficiary is the account owner;
- (2) guarantee that a designated beneficiary will be admitted to an institution of postsecondary beneficiary; or
- (3) create state residency for an individual merely because the individual is a designated beneficiary.

This section also states that nothing in the program shall be construed to create any obligation of the state to guarantee for the benefit of any account owner or designated beneficiary with respect to interest rates or rate of return on any account or the payment of interest or other return on any account.

Section 7 establishes the Kansas children's savings account program trust fund and the Kansas children's savings account expense fund in the state treasury. The Kansas children's savings account trust fund consists of moneys deposited by depositors, moneys

acquired from governmental and private sources through grants, gifts or donations and state general fund appropriations, if any. The treasurer shall transfer \$250 per year from the trust fund to each account that has received at least one contribution after the initial deposit. In the event there is insufficient funding to transfer \$250 to each account, the treasurer shall prorate the existing funds to provide an equal or lesser amount to each account. The Kansas children's savings account program expense fund shall consist of moneys received from the Kansas children's savings account program manager. All expenses incurred by the treasurer in administering the program shall be payable from the Kansas children's savings account program expense fund.

Section 8 authorizes payroll deductions from the salary and wages of state officers and employees for Kansas children's savings accounts upon written, voluntary authorization of such officers and employees.

Section 9 provides an income, privilege and premium tax credit for tax years commencing after December 31, 2019, in an amount equal to 70% of the amount donated to the Kansas children's savings account program trust fund. The total amount of credits allowed shall not exceed \$5,000,000 for any one tax year and if the amount of such tax credit exceeds the taxpayer's liability, the excess amount of the credit may be carried over for succeeding tax years until the total amount of the credit has been deducted from tax liability.

Section 10 amends K.S.A. 65-2422d in the uniform vital statistics act to require the secretary of health and environment to direct the state registrar to release to the state treasurer birth certificate data and related information deemed necessary by the state treasurer for the purpose of implementing the program.

The bill would become effective upon publication in the statute book.