

LEGISLATIVE BILL 610

Approved by the Governor May 30, 2019

Introduced by Lindstrom, 18.

A BILL FOR AN ACT relating to the Nebraska educational savings plan trust; to amend sections 72-1239.01, 77-2716, 85-1802, 85-1804, 85-1806, 85-1807, and 85-1809, Reissue Revised Statutes of Nebraska; to adopt the Meadowlark Act; to define and redefine terms; to create a fund; to create the Employer Matching Contribution Incentive Program and provide for incentive payments as prescribed; to establish the College Savings Plan Low-Income Matching Scholarship Program and provide for state matching scholarships as prescribed; to provide powers and duties for the State Treasurer; to harmonize provisions; and to repeal the original sections.

Be it enacted by the people of the State of Nebraska,

Section 1. Sections 1 to 5 of this act shall be known and may be cited as the Meadowlark Act.

Sec. 2. For purposes of the Meadowlark Act:

(1) Eligible educational institution has the same meaning as in section 85-1802;

(2) Nebraska educational savings plan trust has the same meaning as in section 85-1802;

(3) Qualified higher education expenses has the same meaning as in section 85-1802;

(4) Qualified individual means an individual born on or after January 1, 2020, who is a resident of this state at the time of birth; and

(5) Qualified private contribution means a contribution from an individual or private entity which is made for the purpose of providing an ongoing source of funding for the Meadowlark Program established in section 4 of this act.

Sec. 3. (1) There is hereby established in the state treasury a trust fund to be known as the Meadowlark Endowment Fund. The fund shall be administered by the State Treasurer and shall consist of qualified private contributions and any amounts appropriated or transferred to the fund by the Legislature. No General Funds shall be transferred to the Meadowlark Endowment Fund. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. No portion of the principal of the fund shall be expended for any purpose except investment pursuant to this subsection.

(2) The State Treasurer shall accept qualified private contributions and shall credit all such contributions received to the Meadowlark Endowment Fund. The State Treasurer shall determine the total amount of qualified private contributions received under this subsection and shall transfer an equal amount from the College Savings Plan Expense Fund or the Unclaimed Property Escheat Trust Fund, as determined by the State Treasurer, to the Meadowlark Endowment Fund.

Sec. 4. (1) The Meadowlark Program is created. The program shall be administered by the State Treasurer. The purpose of the program is to promote access to postsecondary educational opportunities by providing funds to qualified individuals to help pay the qualified higher education expenses associated with attendance at an eligible educational institution located in this state.

(2) Any qualified individual shall be eligible to participate in the Meadowlark Program. No later than March 1 of each year, the Department of Health and Human Services shall transmit information to the State Treasurer which is necessary to administer the program and to establish whether the children born in the previous calendar year are qualified individuals. Such information shall include, but not be limited to, the full name and residential address of each child's parent or legal guardian and the birth date of each child. Costs associated with the transfer of information by the Department of Health and Human Services shall be paid from the College Savings Plan Expense Fund.

(3) Following receipt of the information described in subsection (2) of this section, the State Treasurer shall send a notification explaining the Meadowlark Program to the parent or legal guardian of each qualified individual. The State Treasurer shall provide such parent or legal guardian with the opportunity to exclude his or her child from the program. Any child who is not excluded shall be deemed to be enrolled in the program. Upon enrollment into the program, the child shall have an account opened for him or her under the Nebraska educational savings plan trust.

(4) On or before April 1 of each year, the State Treasurer shall determine (a) the number of accounts opened under the Meadowlark Program in the previous calendar year and (b) the amount of investment income generated by the Meadowlark Endowment Fund in the previous calendar year. The State Treasurer shall evenly distribute the investment income from the previous calendar year to the accounts opened in the previous calendar year.

(5) The Nebraska educational savings plan trust shall own all accounts

opened under the Meadowlark Program. Neither the qualified individual nor his or her parent or legal guardian shall have any ownership rights or interest in, title to, or power or control over such an account.

(6) Any disbursement from an account opened under the Meadowlark Program shall be made before the qualified individual reaches thirty years of age. Once a qualified individual reaches thirty years of age, any unused funds in his or her account shall be transferred to the Meadowlark Endowment Fund.

(7) Funds disbursed from an account opened under the Meadowlark Program shall only be used to pay the qualified higher education expenses associated with attending an eligible educational institution located in this state and shall not be used to pay expenses associated with attending kindergarten through grade twelve.

(8) The State Treasurer shall take measures to ensure the security and confidentiality of the information received under subsection (2) of this section.

Sec. 5. The State Treasurer may adopt and promulgate rules and regulations to carry out the Meadowlark Act.

Sec. 6. Section 72-1239.01, Reissue Revised Statutes of Nebraska, is amended to read:

72-1239.01 (1)(a) The appointed members of the council shall have the responsibility for the investment management of the assets of the retirement systems administered by the Public Employees Retirement Board as provided in section 84-1503, the assets of the Nebraska educational savings plan trust created pursuant to sections 85-1801 to 85-1814 and sections 13 to 15 of this act, the assets of the achieving a better life experience program pursuant to sections 77-1401 to 77-1409, and beginning January 1, 2017, the assets of each retirement system provided for under the Class V School Employees Retirement Act. Except as provided in subsection (4) of this section, the appointed members shall be deemed fiduciaries with respect to the investment of the assets of the retirement systems, of the Nebraska educational savings plan trust, and of the achieving a better life experience program and shall be held to the standard of conduct of a fiduciary specified in subsection (3) of this section. The nonvoting, ex officio members of the council shall not be deemed fiduciaries.

(b) As fiduciaries, the appointed members of the council and the state investment officer shall discharge their duties with respect to the assets of the retirement systems, of the Nebraska educational savings plan trust, and of the achieving a better life experience program solely in the interests of the members and beneficiaries of the retirement systems or the interests of the participants and beneficiaries of the Nebraska educational savings plan trust and the achieving a better life experience program, as the case may be, for the exclusive purposes of providing benefits to members, members' beneficiaries, participants, and participants' beneficiaries and defraying reasonable expenses incurred within the limitations and according to the powers, duties, and purposes prescribed by law.

(2)(a) The appointed members of the council shall have the responsibility for the investment management of the assets of state funds. The appointed members shall be deemed fiduciaries with respect to the investment of the assets of state funds and shall be held to the standard of conduct of a fiduciary specified in subsection (3) of this section. The nonvoting, ex officio members of the council shall not be deemed fiduciaries.

(b) As fiduciaries, the appointed members of the council and the state investment officer shall discharge their duties with respect to the assets of state funds solely in the interests of the citizens of the state within the limitations and according to the powers, duties, and purposes prescribed by law.

(3) The appointed members of the council shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the assets of the retirement systems, the Nebraska educational savings plan trust, the achieving a better life experience program, and state funds so as to minimize risk of large losses, unless in light of such circumstances it is clearly prudent not to do so. No assets of the retirement systems, the Nebraska educational savings plan trust, or the achieving a better life experience program shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

(4) Neither the appointed members of the council nor the state investment officer shall be deemed fiduciaries with respect to investments of the assets of a retirement system provided for under the Class V School Employees Retirement Act made by or on behalf of the board of education as defined in section 79-978 or the board of trustees provided for in section 79-980. Neither the council nor any member thereof nor the state investment officer shall be liable for the action or inaction of the board of education or the board of trustees with respect to the investment of the assets of a retirement system provided for under the Class V School Employees Retirement Act, the consequences of any such action or inaction of the board of education or the board of trustees, and any claims, suits, losses, damages, fees, and costs related to such action or inaction or consequences thereof.

Sec. 7. Section 77-2716, Reissue Revised Statutes of Nebraska, is amended to read:

77-2716 (1) The following adjustments to federal adjusted gross income or,

for corporations and fiduciaries, federal taxable income shall be made for interest or dividends received:

(a)(i) There shall be subtracted interest or dividends received by the owner of obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent includable in gross income for federal income tax purposes but exempt from state income taxes under the laws of the United States; and

(ii) There shall be subtracted interest received by the owner of obligations of the State of Nebraska or its political subdivisions or authorities which are Build America Bonds to the extent includable in gross income for federal income tax purposes;

(b) There shall be subtracted that portion of the total dividends and other income received from a regulated investment company which is attributable to obligations described in subdivision (a) of this subsection as reported to the recipient by the regulated investment company;

(c) There shall be added interest or dividends received by the owner of obligations of the District of Columbia, other states of the United States, or their political subdivisions, authorities, commissions, or instrumentalities to the extent excluded in the computation of gross income for federal income tax purposes except that such interest or dividends shall not be added if received by a corporation which is a regulated investment company;

(d) There shall be added that portion of the total dividends and other income received from a regulated investment company which is attributable to obligations described in subdivision (c) of this subsection and excluded for federal income tax purposes as reported to the recipient by the regulated investment company; and

(e)(i) Any amount subtracted under this subsection shall be reduced by any interest on indebtedness incurred to carry the obligations or securities described in this subsection or the investment in the regulated investment company and by any expenses incurred in the production of interest or dividend income described in this subsection to the extent that such expenses, including amortizable bond premiums, are deductible in determining federal taxable income.

(ii) Any amount added under this subsection shall be reduced by any expenses incurred in the production of such income to the extent disallowed in the computation of federal taxable income.

(2) There shall be allowed a net operating loss derived from or connected with Nebraska sources computed under rules and regulations adopted and promulgated by the Tax Commissioner consistent, to the extent possible under the Nebraska Revenue Act of 1967, with the laws of the United States. For a resident individual, estate, or trust, the net operating loss computed on the federal income tax return shall be adjusted by the modifications contained in this section. For a nonresident individual, estate, or trust or for a partial-year resident individual, the net operating loss computed on the federal return shall be adjusted by the modifications contained in this section and any carryovers or carrybacks shall be limited to the portion of the loss derived from or connected with Nebraska sources.

(3) There shall be subtracted from federal adjusted gross income for all taxable years beginning on or after January 1, 1987, the amount of any state income tax refund to the extent such refund was deducted under the Internal Revenue Code, was not allowed in the computation of the tax due under the Nebraska Revenue Act of 1967, and is included in federal adjusted gross income.

(4) Federal adjusted gross income, or, for a fiduciary, federal taxable income shall be modified to exclude the portion of the income or loss received from a small business corporation with an election in effect under subchapter S of the Internal Revenue Code or from a limited liability company organized pursuant to the Nebraska Uniform Limited Liability Company Act that is not derived from or connected with Nebraska sources as determined in section 77-2734.01.

(5) There shall be subtracted from federal adjusted gross income or, for corporations and fiduciaries, federal taxable income dividends received or deemed to be received from corporations which are not subject to the Internal Revenue Code.

(6) There shall be subtracted from federal taxable income a portion of the income earned by a corporation subject to the Internal Revenue Code of 1986 that is actually taxed by a foreign country or one of its political subdivisions at a rate in excess of the maximum federal tax rate for corporations. The taxpayer may make the computation for each foreign country or for groups of foreign countries. The portion of the taxes that may be deducted shall be computed in the following manner:

(a) The amount of federal taxable income from operations within a foreign taxing jurisdiction shall be reduced by the amount of taxes actually paid to the foreign jurisdiction that are not deductible solely because the foreign tax credit was elected on the federal income tax return;

(b) The amount of after-tax income shall be divided by one minus the maximum tax rate for corporations in the Internal Revenue Code; and

(c) The result of the calculation in subdivision (b) of this subsection shall be subtracted from the amount of federal taxable income used in subdivision (a) of this subsection. The result of such calculation, if greater than zero, shall be subtracted from federal taxable income.

(7) Federal adjusted gross income shall be modified to exclude any amount repaid by the taxpayer for which a reduction in federal tax is allowed under section 1341(a)(5) of the Internal Revenue Code.

(8)(a) Federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be reduced, to the extent included, by income from interest, earnings, and state contributions received from the Nebraska educational savings plan trust created in sections 85-1801 to 85-1814 and sections 13 to 15 of this act and any account established under the achieving a better life experience program as provided in sections 77-1401 to 77-1409.

(b) Federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be reduced by any contributions as a participant in the Nebraska educational savings plan trust or contributions to an account established under the achieving a better life experience program made for the benefit of a beneficiary as provided in sections 77-1401 to 77-1409, to the extent not deducted for federal income tax purposes, but not to exceed five thousand dollars per married filing separate return or ten thousand dollars for any other return. With respect to a qualified rollover within the meaning of section 529 of the Internal Revenue Code from another state's plan, any interest, earnings, and state contributions received from the other state's educational savings plan which is qualified under section 529 of the code shall qualify for the reduction provided in this subdivision. For contributions by a custodian of a custodial account including rollovers from another custodial account, the reduction shall only apply to funds added to the custodial account after January 1, 2014.

(c) Federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be increased by:

(i) The amount resulting from the cancellation of a participation agreement refunded to the taxpayer as a participant in the Nebraska educational savings plan trust to the extent previously deducted under subdivision (8)(b) of this section; and

(ii) The amount of any withdrawals by the owner of an account established under the achieving a better life experience program as provided in sections 77-1401 to 77-1409 for nonqualified expenses to the extent previously deducted under subdivision (8)(b) of this section.

(9)(a) For income tax returns filed after September 10, 2001, for taxable years beginning or deemed to begin before January 1, 2006, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be increased by eighty-five percent of any amount of any federal bonus depreciation received under the federal Job Creation and Worker Assistance Act of 2002 or the federal Jobs and Growth Tax Act of 2003, under section 168(k) or section 1400L of the Internal Revenue Code of 1986, as amended, for assets placed in service after September 10, 2001, and before December 31, 2005.

(b) For a partnership, limited liability company, cooperative, including any cooperative exempt from income taxes under section 521 of the Internal Revenue Code of 1986, as amended, limited cooperative association, subchapter S corporation, or joint venture, the increase shall be distributed to the partners, members, shareholders, patrons, or beneficiaries in the same manner as income is distributed for use against their income tax liabilities.

(c) For a corporation with a unitary business having activity both inside and outside the state, the increase shall be apportioned to Nebraska in the same manner as income is apportioned to the state by section 77-2734.05.

(d) The amount of bonus depreciation added to federal adjusted gross income or, for corporations and fiduciaries, federal taxable income by this subsection shall be subtracted in a later taxable year. Twenty percent of the total amount of bonus depreciation added back by this subsection for tax years beginning or deemed to begin before January 1, 2003, under the Internal Revenue Code of 1986, as amended, may be subtracted in the first taxable year beginning or deemed to begin on or after January 1, 2005, under the Internal Revenue Code of 1986, as amended, and twenty percent in each of the next four following taxable years. Twenty percent of the total amount of bonus depreciation added back by this subsection for tax years beginning or deemed to begin on or after January 1, 2003, may be subtracted in the first taxable year beginning or deemed to begin on or after January 1, 2006, under the Internal Revenue Code of 1986, as amended, and twenty percent in each of the next four following taxable years.

(10) For taxable years beginning or deemed to begin on or after January 1, 2003, and before January 1, 2006, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income or, for corporations and fiduciaries, federal taxable income shall be increased by the amount of any capital investment that is expensed under section 179 of the Internal Revenue Code of 1986, as amended, that is in excess of twenty-five thousand dollars that is allowed under the federal Jobs and Growth Tax Act of 2003. Twenty percent of the total amount of expensing added back by this subsection for tax years beginning or deemed to begin on or after January 1, 2003, may be subtracted in the first taxable year beginning or deemed to begin on or after January 1, 2006, under the Internal Revenue Code of 1986, as amended, and twenty percent in each of the next four following tax years.

(11)(a) For taxable years beginning or deemed to begin before January 1, 2018, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be reduced by contributions, up to two thousand dollars per married filing jointly return or one thousand dollars for any other return, and any investment earnings made as a participant in the Nebraska long-term care savings plan under the Long-Term Care Savings Plan Act, to the extent not deducted for federal income tax purposes.

(b) For taxable years beginning or deemed to begin before January 1, 2018,

under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be increased by the withdrawals made as a participant in the Nebraska long-term care savings plan under the act by a person who is not a qualified individual or for any reason other than transfer of funds to a spouse, long-term care expenses, long-term care insurance premiums, or death of the participant, including withdrawals made by reason of cancellation of the participation agreement, to the extent previously deducted as a contribution or as investment earnings.

(12) There shall be added to federal adjusted gross income for individuals, estates, and trusts any amount taken as a credit for franchise tax paid by a financial institution under sections 77-3801 to 77-3807 as allowed by subsection (5) of section 77-2715.07.

(13)(a) For taxable years beginning or deemed to begin on or after January 1, 2015, under the Internal Revenue Code of 1986, as amended, federal adjusted gross income shall be reduced by the amount received as benefits under the federal Social Security Act which are included in the federal adjusted gross income if:

(i) For taxpayers filing a married filing joint return, federal adjusted gross income is fifty-eight thousand dollars or less; or

(ii) For taxpayers filing any other return, federal adjusted gross income is forty-three thousand dollars or less.

(b) For taxable years beginning or deemed to begin on or after January 1, 2020, under the Internal Revenue Code of 1986, as amended, the Tax Commissioner shall adjust the dollar amounts provided in subdivisions (13)(a)(i) and (ii) of this section by the same percentage used to adjust individual income tax brackets under subsection (3) of section 77-2715.03.

(14) For taxable years beginning or deemed to begin on or after January 1, 2015, under the Internal Revenue Code of 1986, as amended, an individual may make a one-time election within two calendar years after the date of his or her retirement from the military to exclude income received as a military retirement benefit by the individual to the extent included in federal adjusted gross income and as provided in this subsection. The individual may elect to exclude forty percent of his or her military retirement benefit income for seven consecutive taxable years beginning with the year in which the election is made or may elect to exclude fifteen percent of his or her military retirement benefit income for all taxable years beginning with the year in which he or she turns sixty-seven years of age. For purposes of this subsection, military retirement benefit means retirement benefits that are periodic payments attributable to service in the uniformed services of the United States for personal services performed by an individual prior to his or her retirement.

Sec. 8. Section 85-1802, Reissue Revised Statutes of Nebraska, is amended to read:

85-1802 For purposes of sections 85-1801 to 85-1814 and sections 13 to 15 of this act:

(1) Administrative fund means the College Savings Plan Administrative Fund created in section 85-1807;

(2) Beneficiary means the individual designated by a participation agreement to benefit from advance payments of qualified higher education expenses on behalf of the beneficiary;

(3) Benefits means the payment of qualified higher education expenses on behalf of a beneficiary by the Nebraska educational savings plan trust during the beneficiary's attendance at an eligible educational institution;

(4) Eligible educational institution means an institution described in 20 U.S.C. 1088 which is eligible to participate in a program under Title IV of the federal Higher Education Act of 1965;

(5) Expense fund means the College Savings Plan Expense Fund created in section 85-1807;

(6) Nebraska educational savings plan trust means the trust created in section 85-1804;

(7) Nonqualified withdrawal refers to (a) a distribution from an account to the extent it is not used to pay the qualified higher education expenses of the beneficiary, or (b) a qualified rollover permitted by section 529 of the Internal Revenue Code where the funds are transferred to a qualified tuition program sponsored by another state or entity, or (c) a distribution from an account to pay the costs of attending kindergarten through grade twelve;

(8) Participant or account owner means an individual, an individual's legal representative, or any other legal entity authorized to establish a savings account under section 529 of the Internal Revenue Code who has entered into a participation agreement for the advance payment of qualified higher education expenses on behalf of a beneficiary. For purposes of section 77-2716, as to contributions by a custodian to a custodial account established pursuant to the Nebraska Uniform Transfers to Minors Act or similar law in another state, which account has been established under a participation agreement, participant includes the parent or guardian of a minor, which parent or guardian is also the custodian of the account;

(9) Participation agreement means an agreement between a participant and the Nebraska educational savings plan trust entered into under sections 85-1801 to 85-1814 and sections 13 to 15 of this act;

(10) Program fund means the College Savings Plan Program Fund created in section 85-1807;

(11) Qualified higher education expenses means the certified costs of tuition and fees, books, supplies, and equipment required for enrollment or

attendance at an eligible educational institution. Reasonable room and board expenses, based on the minimum amount applicable for the eligible educational institution during the period of enrollment, shall be included as qualified higher education expenses for those students enrolled on at least a half-time basis. In the case of a special needs beneficiary, expenses for special needs services incurred in connection with enrollment or attendance at an eligible educational institution shall be included as qualified higher education expenses. Expenses paid or incurred in 2009 or 2010 for the purchase of computer technology or equipment or Internet access and related services, subject to the limitations set forth in section 529 of the Internal Revenue Code, shall be included as qualified higher education expenses. Qualified higher education expenses does not include any amounts in excess of those allowed by section 529 of the Internal Revenue Code;

(12) Section 529 of the Internal Revenue Code means such section of the code and the regulations interpreting such section; and

(13) Tuition and fees means the quarter or semester charges imposed to attend an eligible educational institution.

Sec. 9. Section 85-1804, Reissue Revised Statutes of Nebraska, is amended to read:

85-1804 The Nebraska educational savings plan trust is created. The State Treasurer is the trustee of the trust and as such is responsible for the administration, operation, and maintenance of the program and has all powers necessary to carry out and effectuate the purposes, objectives, and provisions of sections 85-1801 to 85-1814 and sections 13 to 15 of this act pertaining to the administration, operation, and maintenance of the trust and program, except that the state investment officer shall have fiduciary responsibility to make all decisions regarding the investment of the money in the administrative fund, expense fund, and program fund, including the selection of all investment options and the approval of all fees and other costs charged to trust assets except costs for administration, operation, and maintenance of the trust as appropriated by the Legislature, pursuant to the directions, guidelines, and policies established by the Nebraska Investment Council. The State Treasurer may adopt and promulgate rules and regulations to provide for the efficient administration, operation, and maintenance of the trust and program. The State Treasurer shall not adopt and promulgate rules and regulations that in any way interfere with the fiduciary responsibility of the state investment officer to make all decisions regarding the investment of money in the administrative fund, expense fund, and program fund. The State Treasurer or his or her designee shall have the power to:

(1) Enter into agreements with any eligible educational institution, the state, any federal or other state agency, or any other entity to implement sections 85-1801 to 85-1814 and sections 13 to 15 of this act, except agreements which pertain to the investment of money in the administrative fund, expense fund, or program fund;

(2) Carry out the duties and obligations of the trust;

(3) Carry out studies and projections to advise participants regarding present and estimated future qualified higher education expenses and levels of financial participation in the trust required in order to enable participants to achieve their educational funding objectives;

(4) Participate in any federal, state, or local governmental program for the benefit of the trust;

(5) Procure insurance against any loss in connection with the property, assets, or activities of the trust as provided in section 81-8,239.01;

(6) Enter into participation agreements with participants;

(7) Make payments to eligible educational institutions pursuant to participation agreements on behalf of beneficiaries;

(8) Make distributions to participants upon the termination of participation agreements pursuant to the provisions, limitations, and restrictions set forth in sections 85-1801 to 85-1814 and sections 13 to 15 of this act;

(9) Contract for goods and services and engage personnel as necessary, including consultants, actuaries, managers, legal counsels, and auditors for the purpose of rendering professional, managerial, and technical assistance and advice regarding trust administration and operation, except contracts which pertain to the investment of the administrative, expense, or program funds; and

(10) Establish, impose, and collect administrative fees and charges in connection with transactions of the trust, and provide for reasonable service charges, including penalties for cancellations and late payments with respect to participation agreements.

The Nebraska Investment Council may adopt and promulgate rules and regulations to provide for the prudent investment of the assets of the trust. The council or its designee also has the authority to select and enter into agreements with individuals and entities to provide investment advice and management of the assets held by the trust, establish investment guidelines, objectives, and performance standards with respect to the assets held by the trust, and approve any fees, commissions, and expenses, which directly or indirectly affect the return on assets.

Sec. 10. Section 85-1806, Reissue Revised Statutes of Nebraska, is amended to read:

85-1806 The Nebraska educational savings plan trust may enter into participation agreements with participants on behalf of beneficiaries pursuant to the following terms and conditions:

(1) A participation agreement shall authorize a participant to make

contributions to an account which is established for the purpose of meeting the qualified higher education expenses of a beneficiary as allowed by section 529 of the Internal Revenue Code. A participant shall not be required to make an annual contribution on behalf of a beneficiary, shall not be subject to minimum contribution requirements, and shall not be required to maintain a minimum account balance. The maximum contribution shall not exceed the amount allowed under section 529 of the Internal Revenue Code. The State Treasurer may set a maximum cumulative contribution, as necessary, to maintain compliance with section 529 of the Internal Revenue Code. Participation agreements may be amended to provide for adjusted levels of contributions based upon changed circumstances or changes in educational plans or to ensure compliance with section 529 of the Internal Revenue Code or any other applicable laws and regulations;

(2) Beneficiaries designated in participation agreements shall meet the requirements established by the trustee and section 529 of the Internal Revenue Code;

(3) Payment of benefits provided under participation agreements shall be made in a manner consistent with section 529 of the Internal Revenue Code;

(4) The execution of a participation agreement by the trust shall not guarantee in any way that qualified higher education expenses will be equal to projections and estimates provided by the trust or that the beneficiary named in any participation agreement will (a) be admitted to an eligible educational institution, (b) if admitted, be determined a resident for tuition purposes by the eligible educational institution, (c) be allowed to continue attendance at the eligible educational institution following admission, or (d) graduate from the eligible educational institution;

(5) A beneficiary under a participation agreement may be changed as permitted under the rules and regulations adopted under sections 85-1801 to 85-1814 and sections 13 to 15 of this act and consistent with section 529 of the Internal Revenue Code upon written request of the participant as long as the substitute beneficiary is eligible for participation. Participation agreements may otherwise be freely amended throughout their term in order to enable participants to increase or decrease the level of participation, change the designation of beneficiaries, and carry out similar matters as authorized by rule and regulation; and

(6) Each participation agreement shall provide that the participation agreement may be canceled upon the terms and conditions and upon payment of applicable fees and costs set forth and contained in the rules and regulations.

Sec. 11. Section 85-1807, Reissue Revised Statutes of Nebraska, is amended to read:

85-1807 (1) The State Treasurer shall deposit money received by the Nebraska educational savings plan trust into three funds: The College Savings Plan Program Fund, the College Savings Plan Expense Fund, and the College Savings Plan Administrative Fund. The State Treasurer shall deposit money received by the trust into the appropriate fund. The State Treasurer and Accounting Administrator of the Department of Administrative Services shall determine the state fund types necessary to comply with section 529 of the Internal Revenue Code and state policy. The money in the funds shall be invested by the state investment officer pursuant to policies established by the Nebraska Investment Council. The program fund, the expense fund, and the administrative fund shall be separately administered. The Nebraska educational savings plan trust shall be operated with no General Fund appropriations.

(2) The College Savings Plan Program Fund is created. All money paid by participants in connection with participation agreements and all investment income earned on such money shall be deposited as received into separate accounts within the program fund. Contributions to the trust made by participants may only be made in the form of cash. All funds generated in connection with participation agreements shall be deposited into the appropriate accounts within the program fund. A participant or beneficiary shall not provide investment direction regarding program contributions or earnings held by the trust. Money accrued by participants in the program fund may be used for payments to any eligible educational institution. Any money in the program fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

(3) The College Savings Plan Administrative Fund is created. Money from the trust transferred from the expense fund to the administrative fund in an amount authorized by an appropriation from the Legislature shall be utilized to pay for the costs of administering, operating, and maintaining the trust, to the extent permitted by section 529 of the Internal Revenue Code. The administrative fund shall not be credited with any money other than money transferred from the expense fund in an amount authorized by an appropriation by the Legislature or any interest income earned on the balances held in the administrative fund. Any money in the administrative fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

~~(4)(a) (4) The College Savings Plan Expense Fund is created. The expense fund shall be used to pay costs associated with the Nebraska educational savings plan trust and shall be funded with fees assessed to the program fund. The State Treasurer shall use the expense fund:~~

~~(i) To pay costs associated with the Nebraska educational savings plan trust;~~

~~(ii) For the purposes described in the Meadowlark Act; and~~

(iii) To transfer from the expense fund to the State Investment Officer's Cash Fund an amount equal to the pro rata share of the budget appropriated to the Nebraska Investment Council as permitted in section 72-1249.02, to cover reasonable expenses incurred for investment management of the Nebraska educational savings plan trust. Annually and prior to such transfer to the State Investment Officer's Cash Fund, the State Treasurer shall report to the budget division of the Department of Administrative Services and to the Legislative Fiscal Analyst the amounts transferred during the previous fiscal year. The report submitted to the Legislative Fiscal Analyst shall be submitted electronically.

(b) Transfers may be made from the expense fund to the General Fund at the direction of the Legislature. Any money in the expense fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 12. Section 85-1809, Reissue Revised Statutes of Nebraska, is amended to read:

85-1809 (1) A participant retains ownership of all contributions made under a participation agreement up to the date of utilization for payment of qualified higher education expenses for the beneficiary. Notwithstanding any other provision of law, any amount credited to any account is not susceptible to any levy, execution, judgment, or other operation of law, garnishment, or other judicial enforcement, and the amount is not an asset or property of either the participant or the beneficiary for the purposes of any state insolvency or inheritance tax laws. All income derived from the investment of the contributions made by the participant shall be considered to be held in trust for the benefit of the beneficiary.

(2) If the program created by sections 85-1801 to 85-1814 and sections 13 to 15 of this act is terminated prior to payment of qualified higher education expenses for the beneficiary, the participant is entitled to receive the fair market value of the account established in the program.

(3) If the beneficiary graduates from an eligible educational institution and a balance remains in the participant's account, any remaining funds may be transferred as allowed by rule or regulation, subject to the provisions of section 529 of the Internal Revenue Code, as well as any other applicable state or federal laws or regulations.

(4) The eligible educational institution shall obtain ownership of the payments made for the qualified higher education expenses paid to the institution at the time each payment is made to the institution.

(5) Any amounts which may be paid to any person or persons pursuant to the Nebraska educational savings plan trust but which are not listed in this section are owned by the trust.

(6) A participant may transfer ownership rights to another eligible participant, including a gift of the ownership rights to a minor beneficiary. The transfer shall be made and the property distributed in accordance with the rules and regulations or with the terms of the participation agreement.

(7) A participant shall not be entitled to utilize any interest in the Nebraska educational savings plan trust as security for a loan.

(8) The Nebraska educational savings plan trust may accept transfers of cash investments from a custodian under the Nebraska Uniform Transfers to Minors Act or any other similar laws under the terms and conditions established by the trustee.

(9) A participant may designate a successor account owner to succeed to all of the participant's rights, title, and interest in an account, including the right to change the account beneficiary, upon the death or legal incapacity of the participant. If a participant dies or becomes legally incapacitated and has failed to name a successor account owner, the account beneficiary shall become the account owner.

(10) Upon the death of a beneficiary, the participant may change the beneficiary on the account, transfer assets to another beneficiary who is a member of the family of the former beneficiary, or request a nonqualified withdrawal.

Sec. 13. (1) The College Savings Incentive Cash Fund is created. The fund shall be administered by the State Treasurer and shall be used to provide incentive payments under the Employer Matching Contribution Incentive Program established in section 14 of this act and to provide matching scholarships under the College Savings Plan Low-Income Matching Scholarship Program established in section 15 of this act. The State Treasurer shall accept contributions from any private individual or private entity and shall credit all such contributions received to the College Savings Incentive Cash Fund for the purpose of providing an ongoing source of funding for the College Savings Plan Low-Income Matching Scholarship Program. The matching contributions for which incentive payments are made under the Employer Matching Contribution Incentive Program and the matching scholarships provided under the College Savings Plan Low-Income Matching Scholarship Program shall not be used to pay expenses associated with attending kindergarten through grade twelve.

(2) The College Savings Incentive Cash Fund shall not be considered an asset of the Nebraska educational savings plan trust.

(3) Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 14. (1) The Employer Matching Contribution Incentive Program is created. The program shall begin on January 1, 2022, and shall be implemented and administered by the State Treasurer. The purpose of the program is to

encourage employers to make matching contributions by providing incentive payments for such contributions.

(2) For purposes of this section:

(a) Employer means any individual, partnership, limited liability company, association, corporation, business trust, legal representative, or organized group of persons employing one or more employees at any one time, but such term does not include the United States, the state, or any political subdivision thereof; and

(b) Matching contribution means a contribution made by an employer to an account established under the Nebraska educational savings plan trust in an amount matching all or part of a contribution made to that same account by an individual who resided in the State of Nebraska during the most recently completed taxable year and is an employee of such employer.

(3) Beginning January 1, 2022, an employer shall be eligible to receive an incentive payment under this section if the employer made matching contributions during the immediately preceding calendar year.

(4) In order to receive an incentive payment under this section, an employer shall submit an application to the State Treasurer on forms prescribed by the State Treasurer. The State Treasurer shall accept applications from January 1 to June 1 of each year beginning in 2022. The application shall include:

(a) The number of employees for whom matching contributions were made in the immediately preceding calendar year;

(b) The amount of the matching contributions made in the immediately preceding calendar year for each employee; and

(c) Any other information required by the State Treasurer.

(5) If the State Treasurer determines that the employer qualifies for an incentive payment under this section, the State Treasurer shall approve the application and shall notify the employer of the approval. The State Treasurer may approve applications until the annual limit provided in subsection (6) of this section has been reached. An employer whose application is approved shall receive an incentive payment equal to twenty-five percent of the total matching contributions made during the immediately preceding calendar year, not to exceed two thousand dollars per contributing employee per year. An employer shall not receive an incentive payment for a matching contribution if the employer claimed an income tax deduction pursuant to subdivision (8)(b) of section 77-2716 for such matching contribution. Employers shall be limited to one incentive payment per beneficiary. The matching contributions for which incentive payments are made shall not be used to pay expenses associated with attending kindergarten through grade twelve.

(6) The State Treasurer may approve a total of two hundred fifty thousand dollars of incentive payments each calendar year.

(7) On or before June 30, 2022, and on or before June 30 of each year thereafter, the State Treasurer shall determine the total amount of incentive payments approved for the year, shall transfer such amount from the College Savings Plan Expense Fund or the Unclaimed Property Escheat Trust Fund, as determined by the State Treasurer, to the College Savings Incentive Cash Fund, and shall distribute such incentive payments to the approved employers.

(8) The State Treasurer may adopt and promulgate rules and regulations to carry out the Employer Matching Contribution Incentive Program.

Sec. 15. (1) Beginning January 1, 2022, there is hereby established the College Savings Plan Low-Income Matching Scholarship Program. The purpose of the program is to encourage private contributions to accounts established under the Nebraska educational savings plan trust for the benefit of individuals with limited means. The State Treasurer shall implement and administer the program.

(2) A participant shall be eligible for the program if the beneficiary for whom private contributions are made is part of a family whose household income for the most recently completed taxable year is not more than two hundred fifty percent of the federal poverty level and the beneficiary is a resident of the State of Nebraska.

(3) Applications for participation in the program shall be submitted to the State Treasurer on forms prescribed by the State Treasurer. If the requirements of subsection (2) of this section are met, the State Treasurer shall approve the application and notify the applicant of the approval. The State Treasurer may approve applications until the annual limit provided in subsection (7) of this section has been reached.

(4) Any participant who is approved for the program under subsection (3) of this section must resubmit an application each year thereafter and be reapproved in order to continue participation in the program.

(5) If a participant is approved for the program, any contribution made by such participant under the program shall be matched with scholarship funds provided by the State of Nebraska. The matching scholarship shall be equal to:

(a) One hundred percent of the participant's contribution if the beneficiary for whom the contribution is made is part of a family whose household income for the most recently completed taxable year is more than two hundred percent of the federal poverty level but not more than two hundred fifty percent of the federal poverty level, not to exceed one thousand dollars annually; or

(b) Two hundred percent of the participant's contribution if the beneficiary for whom the contribution is made is part of a family whose household income for the most recently completed taxable year is not more than two hundred percent of the federal poverty level, not to exceed one thousand dollars annually.

(6) Between January 1 and January 31 of each year, the State Treasurer shall transfer the amount necessary to meet the matching obligations of this section for the preceding calendar year, minus the amount of any private contributions received pursuant to subsection (1) of section 13 of this act during the preceding calendar year, from the College Savings Plan Expense Fund or the Unclaimed Property Escheat Trust Fund, as determined by the State Treasurer, to the College Savings Incentive Cash Fund. The State Treasurer shall transfer from the College Savings Incentive Cash Fund to the College Savings Plan Program Fund the amount necessary to meet the matching obligations of this section for the preceding calendar year. The Nebraska educational savings plan trust shall own all scholarships awarded under this section. Neither the participant nor the beneficiary shall have any ownership rights to or interest in, title to, or power or control over such scholarships. Scholarship funds disbursed shall only be used to pay the qualified higher education expenses associated with attending an eligible educational institution located in this state and shall not be used to pay expenses associated with attending kindergarten through grade twelve. Any disbursement of such scholarships shall be made before the beneficiary reaches thirty years of age. Once the beneficiary reaches thirty years of age, any unused scholarship funds shall be transferred to the Meadowlark Endowment Fund.

(7) The State Treasurer may approve a total of two hundred fifty thousand dollars of scholarships each calendar year under the College Savings Plan Low-Income Matching Scholarship Program.

Sec. 16. Original sections 72-1239.01, 77-2716, 85-1802, 85-1804, 85-1806, 85-1807, and 85-1809, Reissue Revised Statutes of Nebraska, are repealed.