

HOUSE RESEARCH

Bill Summary

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Overview

This bill extends the time for adopting rules for the Edvest savings program authorized in statute and administered by the Higher Education Services Office. HESO is given nine months to adopt rules. The original 18 month time period for adopting rules for the Edvest program has expired. The college savings program cannot begin operating until rules are adopted.

Edvest was enacted in 1997 as a state savings program to encourage savings for higher education by providing tax benefits and state grants to match contributions. Edvest is a qualified state tuition savings program as defined by the Internal Revenue code. Accounts can be established for a designated beneficiary who will attend college in the future. The 1997 legislature appropriated \$3 million for Edvest.

Edvest contributions are not deductible but earnings accumulate tax free until withdrawn to pay college expenses. The Minnesota state board of investment makes the investment decisions for the savings accounts-neither the beneficiary nor the contributor can direct the account. Funds withdrawn from the account can be used for a student's qualified expenses at any public or private post-secondary institution. Taxes on earnings are paid by the student beneficiary when funds are withdrawn.

Section

- 1 **Authority to adopt rules; Edvest.** Provides nine months for the higher education services office to publish a notice of intent to adopt rules or a notice of a hearing for rules to implement the Edvest higher education savings program. Under current Minnesota Statutes, section 14.125, the original rulemaking authority expired because it was not used within 18 months of the effective date of the law granting the authority.