SLS 22RS-145 ORIGINAL

2022 Regular Session

SENATE BILL NO. 25

BY SENATOR FOIL

STUDENTS. Provides for earnings enhancements for the START K12 Program. (8/1/22)

1	AN ACT
2	To amend and reenact R.S. 17:3100.2(9), 3100.7(B)(2)(b) and (c), and 3100.8(F), and to
3	enact R.S. 17:3100.2(14) and (15), 3100.5(F)(5), and 3100.6(B)(3) and (D) through
4	(G), relative to the Louisiana Student Tuition Assistance and Revenue Trust
5	Kindergarten Through Grade Twelve Program; to provide relative to program
6	administration; to provide for earnings enhancements; and to provide for related
7	matters.
8	Be it enacted by the Legislature of Louisiana:
9	Section 1. R.S. 17:3100.2(9), 3100.7(B)(2)(b) and (c), and 3100.8(F) are hereby
10	amended and reenacted, and R.S. 17:3100.2(14) and (15), 3100.5(F)(5), and 3100.6(B)(3)
11	and (D) through (G) are hereby enacted to read as follows:
12	§3100.2. Definitions
13	For the purposes of this Chapter, the following words, terms, and phrases
14	shall have the following meanings unless the context clearly requires otherwise:
15	* * *
16	(9) "Redemption value" means the cash value of the education savings
17	account attributable to the sum of the principal invested and the interest earned on

1	principal and authorized to be credited to the account by the authority, earnings
2	enhancements appropriated by the legislature and authorized by the authority
3	to be credited to the account and the interest earned on the enhancements, less
4	$any\underline{earningsenhancementsorinterestthereonrestrictedfromexpenditure, and}$
5	<u>any</u> fees due and imposed by rule of the authority.
6	* * *
7	(14) "Earnings enhancement" is a payment credited to an education
8	savings account, on behalf of the beneficiary of the account, to help offset the
9	beneficiary's qualified education expenses at an elementary or secondary school.
10	(15) "Savings Enhancement Fund" is the subaccount established within
11	the Tuition and Savings Fund by the state treasurer to receive funds
12	appropriated by the legislature or donated from any other source for the
13	purpose of funding earnings enhancements. The funds deposited in this
14	subaccount shall be used only to make earnings enhancements to beneficiaries
15	of education savings accounts, as annually appropriated by the legislature.
16	* * *
17	§3100.5. Education savings accounts; types, use, limitations, and disclosures
18	* * *
19	F. * * *
20	(5) Monies in the Variable Earnings Transaction Fund declared surplus
21	by the authority shall be appropriated to the Savings Enhancement Fund to be
22	used as earnings enhancements.
23	§3100.6. Education savings accounts; creation, terms, and conditions
24	* * *
25	B. * * *
26	(3) The beneficiary of each account shall be eligible for earnings
27	enhancements in accordance with this Section.
28	* * *
29	D. Accounts that are fully funded are no longer eligible for

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state-appropriated earnings enhancements. For purposes of this Chapter, "fully

2	funded" shall mean that the redemption value is equal to or greater than one
3	hundred thirty thousand dollars.
4	E.(1) Annually, the authority shall credit the beneficiary of an education
5	savings account an earnings enhancement calculated pursuant to this
6	Paragraph. An earnings enhancement shall be determined by adding the
7	deposits made to the account by the owner during the calendar year and
8	multiplying that sum by the rate appropriate to the owner determined in
9	accordance with Paragraph (3) of this Subsection. Earnings enhancements
10	awarded in any year shall not exceed the balance in the Savings Enhancement
11	Fund. The authority shall reduce earnings enhancement rates, pro rata, so that
12	the total of the earnings enhancements to be awarded in any year does not
13	exceed the balance in the Savings Enhancement Fund.
14	(2) For purposes of this Subsection, the deposits made to an account by
15	the owner include all deposits of principal made to an education savings account
16	during the calendar year ending December thirty-first of the year on which the
17	earnings enhancement will be based, provided such amount is not more than
18	one hundred thirty thousand dollars.
19	(3)(a) The earnings enhancement rate applicable to an account
20	established by a person identified in Subparagraph (A)(1)(a) or (b) of this
21	Section shall be determined by the adjusted gross income reported by the owner
22	of the account on his federal tax return for the taxable year immediately
23	preceding the year in which the beneficiary of the account is being considered
24	for an earnings enhancement, according to the following schedule:
25	Reported Federal
26	Adjusted Gross Income Earnings Enhancement Rate
27	<u>0 to \$29,999</u> <u>14%</u>
28	\$30,000 to \$44,999 <u>12%</u>
29	\$45,000 to \$59,999 9%

1	\$60,000 to \$74,999 <u>6%</u>
2	\$75,000 to \$99,999 <u>4%</u>
3	\$100,000 and above 2%
4	(b) The earnings enhancement rate applicable to an account established
5	by a person identified in Subparagraph (A)(1)(c) of this Section shall be fixed
6	at the earnings enhancement rate for account owners who are members of the
7	family of the beneficiary who report an adjusted gross income of one hundred
8	thousand dollars and above.
9	(c) An account established by a person or persons identified in
10	Subparagraph (A)(1)(d) of this Section shall not be eligible for an earnings
11	enhancement.
12	(d) The earnings enhancement rate for an account established by a
13	person or persons identified in Subparagraph (A)(1)(e) of this Section shall be
14	determined by the adjusted gross income reported by the family of the
15	beneficiary of the account on its federal tax return for the taxable year
16	immediately preceding the year in which the beneficiary of the account is being
17	considered for an earnings enhancement, according to the schedule in
18	Subparagraph (a) of this Paragraph.
19	F. To be eligible in any given year for the crediting of an earnings
20	enhancement to an education savings account on behalf of the beneficiary, the
21	owner must authorize the authority to access the owner's prior year state
22	individual income tax return filed with the Louisiana Department of Revenue
23	or provide the authority a copy of his federal income tax return filed for the
24	prior year.
25	G. The earnings enhancements and the interest earned thereon may only
26	be disbursed from an account pro rata with the disbursement of deposits to pay
27	the beneficiary's qualified education expenses at an elementary or secondary
28	school. An earnings enhancement shall not be refunded.
29	§3100.7. Termination of depositor's agreements; refund; conversion of the account

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1	to money; transfers
2	* * *
3	B. * * *
4	(2) The amount of the refund to which the person designated in the account
5	owner's agreement is entitled shall be equal to the following:
6	* * *
7	(b) The redemption value of the education savings account invested in fixed
8	earnings at the time of the refund, minus any earnings enhancements and interest
9	earned thereon, previously credited but not expended from the account, if the account
10	has been open for twelve or more months.
11	(c) The value of the education savings account invested in variable earnings
12	at the time of the refund, minus any earnings enhancements and interest earned
13	thereon previously credited but not expended from the account, if the account has
14	been open for twelve or more months.
15	* * *
16	§3100.8. Louisiana Education and Tuition Savings Fund; use
17	* * *
18	F. The authority shall maintain an individual account for each account
19	owner's agreement showing the beneficiary of that agreement and the accumulated
20	value of the principal deposited and interest earned on deposits, earnings
21	enhancements credited, and interest earned on earnings enhancements, pursuant
22	to that agreement. Upon request of any beneficiary or person who has entered into
23	an account owner's agreement, the authority shall provide a statement indicating, in
24	the case of a beneficiary or in the case of a person who has entered into an account
25	owner's agreement, the accumulated value of the principal deposited, interest earned
26	on deposits, earnings enhancements credited, interest earned on earnings
27	enhancements, and the amounts used or refunded, pursuant to the agreement. A

beneficiary and an account owner may request a statement under this Subsection at

any time, subject to any fee that the authority may impose for requests in excess of

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1 one per year.

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Section 2. The Louisiana State Law Institute is directed to alphabetize and renumber the terms defined in R.S. 17:3100.2, as amended by the provisions of this Act.

Section 3. This Act shall become effective on August 1, 2022; if vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval by the legislature or August 1, 2022, whichever is later.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Cheryl Serrett.

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<u>Present law</u> provides for the La. Student Tuition Assistance and Revenue Trust Kindergarten Through Grade Twelve (START K12) Program, an education savings program for certain expenses associated with enrolling in grades kindergarten through 12. Limits disbursements of such expenses to a maximum of \$10,000 per tax year, per beneficiary. The START K12 Program is similar to the La. Student Tuition Assistance and Revenue Trust (START) Program, except the former is for certain expenses associated with an elementary or secondary school and the latter is for certain expenses associated with an institution of postsecondary education.

<u>Present law</u> also provides for certain enhancements from the state to be added to the accounts in the START program and establishes the "Savings Enhancement Fund" as a special permanent sub-account within the START Program account and provides that the legislature shall annually appropriate state general funds to be deposited by the treasurer in this fund. Provides that this fund shall be used for earnings enhancements for START accounts. Provides that the legislature shall make yearly appropriations from the respective account and sub-account, if applicable for present law purposes.

<u>Proposed law</u> allows for enhancements to be added to the START K12 Program and that the Savings Enhancement Fund be used to fund enhancements in both the START and START K12 programs.

<u>Proposed law</u> provides how the earnings enhancements shall be calculated and provides the earnings enhancement rates for the START K12 Program, which shall be identical to the similar provisions in present law for the START program.

Effective August 1, 2022.

(Amends R.S. 17:3100.2(9), 3100.7(B)(2)(b) and (c), and 3100.8(F); adds R.S. 17:3100.2(14) and (15), 3100.5(F)(5), and 3100.6(B)(3) and (D) - (G))