

By Mr. Tarr of Gloucester, petition of Bruce E. Tarr, Edward B. Teague III and Thomas G. Palumbo relative to establishing educational fund accounts in banks and establishing an income tax exemption for such accounts. Taxation.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-Four.

AN ACT ESTABLISHING EDUCATION FUND ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 167D of the General Laws as appearing
2 in the 1988 Official Edition is hereby amended by inserting after
3 section 35 the following new section: —

4 Section 36. All banks as defined in Section 1 of Chapter 167
5 of the General Laws, as appearing in the 1986 Official Edition,
6 may open and receive deposits for Education Fund Accounts. An
7 Education Fund Account shall be established, managed, and
8 terminated in accordance with a written agreement signed by the
9 contributor, regulations adopted by the Commissioner and this
10 section.

11 Regulations adopted by the Commissioner shall implement and
12 be consistent with the following:

13 a. An account shall be opened for the benefit of a particular
14 student or potential student.

15 b. No funds shall be paid for an account except upon an invoice
16 by qualified institutions for tuition, fees, costs of room, costs of
17 board, and other fees and charges customarily charged by the
18 institution for services provided to the student beneficiary, and
19 such funds shall be paid directly to the institution.

20 c. An account shall terminate whenever one or more of the
21 following occurs:

22 (1) The student beneficiary reaches his or her 25th birthday.

23 (2) The student beneficiary remains unenrolled in a qualified
24 instituion for more than twelve consecutive months.

25 (3) The contributor and the student beneficiary agree in writing
26 to terminate the account.

27 d. When an account is terminated, the remaining assets of the
28 account, including undistributed interest and other accruals, shall
29 be paid out to the contributor. At a written request of the
30 contributor, such payments shall be made over a two year period.

31 For the purposes of this section the following definitions apply,
32 unless the context otherwise requires:

33 "Contributor," the individual or individuals who establish an
34 account and make contributions to it.

35 "Qualified institution," an accredited college, university, trade
36 school or other educational institution providing training or
37 education to persons holding high school diplomas or equivalents
38 thereof.

39 "Student beneficiary," the person for whose benefit an account
40 is established and managed.

1 SECTION 2. Section 2, part (a)(2) of Chapter 62 of the
2 General Laws as appearing in the 1988 Official Edition is hereby
3 amended by adding after paragraph (H) the following para-
4 graph: —

5 (I) Up to \$3,000 by each single taxpayer or by married
6 taxpayers whether they file joint or separate returns, which is
7 deposited for each student beneficiary in no more than one
8 Education Fund Account pursuant to Section 36 of Chap-
9 ter 167D of the General Laws.

1 SECTION 3. Section 2, part (a)(1) of Chapter 62 of the
2 General Laws as appearing in the 1988 Official Edition is hereby
3 amended by adding after paragraph (I) the following new
4 paragraph: —

5 (J) Payments of whatever kind made from a terminated
6 Education Fund Account under new Section 346 of Chap-
7 ter 167D of the General Laws.