

SENATE BILL No. 435

May 9, 1989, Introduced by Senators WELBORN, CARL, EHLERS, ENGLER, DE GROW, CROPSEY, POSTHUMUS, SHINKLE, J. HART, DINGELL, SCHWARZ, SEDERBURG and CONROY and referred to the Committee on Finance.

A bill to amend Act No. 281 of the Public Acts of 1967, entitled
"Income tax act of 1967,"
being sections 206.1 to 206.532 of the Michigan Compiled Laws, by adding sections 38 and 92.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 281 of the Public Acts of 1967, being
2 sections 206.1 to 206.532 of the Michigan Compiled Laws, is
3 amended by adding sections 38 and 92 to read as follows:

4 SEC. 38. "TUITION SAVINGS ACCOUNT" MEANS A TRUST ACCOUNT
5 VALIDLY ESTABLISHED UNDER THE LAWS OF THIS STATE BY A PARENT
6 NAMING HIS OR HER CHILD AS BENEFICIARY WHICH TRUST ACCOUNT IS
7 CONTROLLED BY A TRUST INSTRUMENT PRESCRIBING, AND IS ADMINISTERED
8 TO COMPLY WITH, ALL OF THE FOLLOWING:

1 (A) PRINCIPAL AND INCOME FROM THE TRUST IS USED EXCLUSIVELY
2 FOR PAYMENT OF THE CHILD'S TUITION OR ROOM AND BOARD, OR BOTH, AT
3 AN INSTITUTION OF HIGHER EDUCATION LOCATED IN THIS STATE AND
4 APPROVED BY THE DEPARTMENT OF EDUCATION.

5 (B) THE TRUST IS DISSOLVED NO LATER THAN THE TWENTY-FIFTH
6 BIRTHDAY OF THE BENEFICIARY.

7 (C) IF THE TRUST IS DISSOLVED ON THE DATE OF THE
8 BENEFICIARY'S TWENTY-FIFTH BIRTHDAY, THE BALANCE REMAINING IN THE
9 TRUST ACCOUNT IS CONSIDERED INCOME TO THE BENEFICIARY IN THE TAX
10 YEAR IN WHICH THE ACCOUNT IS DISSOLVED. IF THE TRUST IS DIS-
11 SOLVED BEFORE THE DATE OF THE BENEFICIARY'S TWENTY-FIFTH BIRTH-
12 DAY, THE BALANCE REMAINING IN THE TRUST ACCOUNT IS CONSIDERED
13 INCOME TO THE PARENTS OF THE BENEFICIARY IN THE TAX YEAR IN WHICH
14 THE ACCOUNT IS DISSOLVED.

15 SEC. 92. INCOME EARNED BY A TUITION SAVINGS ACCOUNT IS
16 EXEMPT FROM THE TAX IMPOSED BY THIS ACT.