

PROPOSED REGULATION OF THE
BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF
NEVADA

LCB FILE NO. R140-18I

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ADOPTED REGULATION OF THE OFFICE OF THE
NEVADA COLLEGE SAVINGS BOARD

LCB FILE No. R___-17

Effective __, 2018

Authority: §§1.5 - 2, AB475 (2017).

A REGULATION relating to implementation of the Nevada College Kick Start Program to provide for the creation of a college savings account for each pupil who is a resident of this State upon commencement of his or her enrollment in kindergarten at a public school in this State, including providing for enrollment into the program; providing procedures concerning accessing the account; providing guidelines to claim the account within certain time limits; and providing other matters properly relating thereto.

Sec. 1. Chapter 353B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 17, inclusive, of this regulation.

Sec. 2. The provisions of sections 3 to 17, inclusive, may be cited as the Nevada College Savings Kick Start Program Regulations.

Sec. 3.

1. The purposes of sections 4 to 17 inclusive, are:
 - (a) To implement the intent of the legislature outlined in AB 475 (2017) to provide guidelines for enrollment in the program, including opting in or out of the program;
 - (b) To provide certain guidelines regarding parents and guardians ability to access the account and claim the funds;
 - (c) To provide guidelines regarding appropriate usage of the account at the time of distribution);
2. For the accomplishment of these purposes, the provisions of sections 4 to 18, inclusive, must be broadly and liberally construed.

Sec. 4. As used in sections 5 to 17, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 5 to 18, inclusive, have the meanings ascribed to them in those sections.

Sec. 5 “Claimed Account” means an account that has been acknowledged by the parent or guardian as ascribed by the State Treasurer’s Office.

Sec. 6 “Cohort” means Nevada College Kick Start student school year group.

Sec. 7 “Count Day” means Kindergarteners enrolled in a public school on or before the third Friday in September of the new school year.

Sec. 8 “Expired Account” means:

1. Account that has not been claimed by the parent or guardian prior to August 1st following the student’s Fourth Grade year; or
2. Not using the Claimed Account funds by the student’s 25th birthday.

Sec. 9 “Late Start” means any Kindergartener that enrolls after the initial Count Day submission in September who are still eligible to participate in the Program. Late Start data is collected in June at the conclusion of the kindergarten year.

Sec. 10 “Opt-In” means that a parent or guardian can request to be added to the program:

1. The Student attended Kindergarten at a Nevada Public school during Kindergarten, and
2. If the parent or guardian requested their information be treated as confidential

Sec. 11 “Opt-out” means that a parent or guardian chooses not to participate in the program.

Sec. 12 “Qualified Scholarships” means that the Nevada College Kick Start accounts are intended to qualify as qualified scholarships under Section 117 of the Internal Revenue Code of 1986, as amended (the “Code”) and, as such, can only be used for qualified tuition and related expenses as defined in Section 117 (b)(2) of the Code.

Sec. 13

1. The Board shall set a per pupil contribution rate for the designated beneficiaries.
 - a. The Board shall review the contribution rate every two years consistent with the biennium budget process and consider whether the rate should be changed.
 - b. Rate change considerations must include changes in Nevada tuition rates, cost of living, and inflation.
2. The Board shall own the Account and shall direct the funds in an appropriate investment option for a kindergartener assuming the funds in the account will begin distribution following graduation from high school.
3. Designated beneficiaries are students for which the State Treasurer’s Office has created an account.

Sec. 14

1. Eligible designated beneficiaries must be Nevada residents and attend kindergarten in a public school in this State.
2. Students are automatically enrolled on Count Day when they enter Kindergarten in a public school in this State.
3. Late Start Students are enrolled automatically at the end of the school year.
4. If a parent or guardian had previously requested that their student’s directory information be treated as confidential by the school, they must complete an Opt-In form obtained from the State Treasurer’s Office for an account to be created.

Sec. 15

1. To establish accounts, schools will transfer to the State Treasurer's Office files containing the current school year enrollment:
 - a. By the end of October for students attending on Count Day, and
 - b. By the end of the school year for kindergarten new enrollments after Count Day.
2. All Account funding and transactions will be directed by the Board.
3. All Accounts received the initial contribution of \$50 which is funded with program manager fees received from the College Savings Plans of Nevada program partners.
 - a. Separate records and accounting will be maintained for each account established under a plan.
 - b. Reports and account balances are accessible online to each designated beneficiary.
4. At a minimum, within 90 days after an account is established the Treasurer's Office, or its designee, will communicate to each participant in various mediums, including but not limited to a letter via United States Postal Service required to be mailed to the address provided to the program by the district or school for the participant of the account. The letter will contain:
 - a. Student's name,
 - b. Kick Start ID number, and
 - c. How to claim account funds.

Sec. 16

1. To claim an account, the parent or guardian of the student must claim the account by August 1st following the completion of the student's fourth grade year in the designated online portal which is outlined in the initial letter notification. The parent or guardian will need to input the following information into the designated portal.
 - a. Program ID number
 - b. Student's Date of Birth
 - c. Zip Code
 - d. Parents or Guardian email address
2. The State Treasurer's Office, or its designee, will communicate in various mediums the impending expiration of the account including but not limited to a requirement to mail a letter via United States Postal Service to the address on the account during the month of April of the student's fourth grade school year. This will serve as the final notification to parents or guardians prior to account expiration.

Letters will be sent to the mailing address which was provided by the school when the account was established.
3. Accounts may be voluntarily closed by:
 - a. Completing a State Treasurer's office, or its designee, Opt-Out form; or
 - b. Allowing the Account to expire by not claiming it by August 1st following the student's completion of his or her fourth grade year; or
 - c. Claiming the Account but not distributing the funds for a qualified educational expense by the designated beneficiary's 25th birthday.
4. Account shall not be transferred or sold to other individuals.

5. All funds from Accounts not claimed or distributed by the designated beneficiary's 25th birthday will return to the Endowment Account.

Sec. 17

1. A designated beneficiary may request a distribution from the Account by submitting a Treasurer's Office Disbursement Request to the Treasurer's Office, or its designee, after the student has graduated from high school and is attending a qualifying education institution.
2. A distribution must be for a qualified educational expense and will be paid directly to the qualified educational institution.

Sec. 18 Amend the following sections to comply with current federal law (Internal Revenue Code Section 529)

NAC 353B.615 Opening of account; selection of investment option; reassignment of accounts under age-based investment option. (~~NRS 353B.310~~NRS 353B.310)

1. To open an account, an applicant must submit to the Plan Investment Manager a completed application and:

(a) An initial contribution; or

(b) A designation of an alternative method of funding approved by the Plan Investment Manager.

~~2. The acceptance by the Plan Investment Manager for processing of an application and an initial contribution or the designation of an alternate method of funding does not constitute the agreement of the Plan Investment Manager to open an account.~~

32. An applicant must select an investment option in which all contributions to the account will be invested. After an account has been opened, the account owner may not change the investment option for the account, except as permitted by 26 U.S.C. § 529 and any regulations, rulings, announcements or other guidance issued pursuant thereto.

~~43.~~ Under the age-based investment option, reassignment of accounts to different "Years-to-College" portfolios will, with regard to those accounts in which the age of the designated beneficiary makes such reassignment appropriate, occur in accordance with the investment policies of the Program.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003; R054-09, 10-27-2009)

NAC 353B.655 Limitation on contributions; maximum aggregate balance for designated beneficiary; return of excess contributions. (NRS 353B.310)

1. A contribution to an account established for a designated beneficiary will not be accepted to the extent the contribution would cause the total account balance of all accounts in all Plans under the Program for the same designated beneficiary to exceed the amount necessary to provide for the qualified higher education expenses of the designated beneficiary.

2. The Board will establish the maximum aggregate balance for the accounts of a designated beneficiary and will, from time to time, revise the maximum aggregate balance as it determines necessary.

3. If any contribution would cause the total account balance of all accounts in all Plans under the Program for the same a designated beneficiary to exceed the maximum aggregate balance for the accounts of a designated beneficiary established by the Board, the excess money will be rejected and returned to the contributors in order of receipt.

4. The balance in all accounts for that designated beneficiary under the Nevada Higher Education Prepaid Tuition Program will be included in calculating whether the maximum aggregate balance has been exceeded.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003)

NAC 353B.665 Distributions: Procedure; classification; restriction. (NRS 353B.310)

1. An account owner may request a distribution of money from the account by submitting to the Plan Investment Manager not less than 3 business days before the date of the requested distribution a completed distribution request form and such other information as required by the Board or a Plan Investment Manager. The Plan Investment Manager will begin processing properly completed distribution request forms upon receipt. A designated beneficiary may not withdraw money from an account.

~~2. A distribution from an account will be classified as a:~~

~~—(a) Nonqualified withdrawal;~~

~~—(b) Qualified withdrawal;~~

~~—(c) Qualified withdrawal because of the death or disability of, or a scholarship awarded to, a beneficiary; or~~

~~—(d) Rollover distribution.~~

~~3. A distribution may only be arranged by the account owner and only in accordance with NAC 353B.665 to 353B.695, inclusive.~~

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R054-09, 10-27-2009)

~~**NAC 353B.670 Distributions: Required notification. (NRS 353B.310) When a Plan Investment Manager makes a distribution of money from an account pursuant to NAC 353B.665 to 353B.695, inclusive, the Plan Investment Manager shall notify the account owner:**~~

~~1. Of the portion of the distribution that is attributable to investment gains in the account;~~

~~2. That a distribution from an account for any reason other than a qualified withdrawal, a qualified withdrawal because of the death or disability of, or a scholarship awarded to, a beneficiary, or a rollover distribution may be subject to federal tax on the portion of the distribution attributable to investment gains in the account; and~~

~~3. That it is the responsibility of the account owner to determine his or her liability for federal tax, if any, on the distribution.~~

~~(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003; R054-09, 10-27-2009)~~

~~**NAC 353B.675 Qualified withdrawals. (NRS 353B.310)**~~

~~1. A qualified withdrawal is a withdrawal of money from an account to pay for the qualified higher education expenses of the designated beneficiary, or because of death, disability or scholarship, as permitted by 26 U.S.C. § 529 or any regulations, rulings, announcements or other guidance issued pursuant thereto. An account owner may request a qualified withdrawal by submitting to the Plan Investment Manager a completed distribution request form.~~

~~— 2. When requesting a qualified withdrawal, the account owner, and the designated beneficiary if required by the Plan Investment Manager, must sign the distribution request form and provide such additional information as may be requested by the Plan Investment Manager.~~

~~— (Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R054-09, 10-27-2009)~~

NAC 353B.680 Refund of all or part of qualified distribution. (NRS 353B.310) A refund from a higher education institution of all or part of a ~~qualified~~ distribution that is used to pay for qualified higher education expenses of a designated beneficiary must ~~contributed to be paid by the higher education institution to~~ the Plan Investment Manager for credit ~~to the appropriate accounts for~~ that designated beneficiary within 60 days after the date of the refund and cannot exceed the refunded amount.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R054-09, 10-27-2009)

NAC 353B.690 Rollover distributions to account in qualified tuition program of another state or to another account in Program; return of excess money. (NRS 353B.310)

1. Except as otherwise provided in subsection 2, if a qualified tuition program of another state allows rollover contributions or an ABLÉ program allows rollover contributions, an account owner may authorize a direct rollover distribution from an account in the Program to an account in the qualified tuition program of the other state or to an ABLÉ program for the same designated beneficiary or for a different designated beneficiary who is a member of the family of the designated beneficiary of the account in the Program out of which the rollover distribution is being made.

2. A rollover distribution pursuant to subsection 1 for the same designated beneficiary will be permitted only once in any 12-month period or as otherwise permitted by 26 U.S.C. § 529 and any regulations, rulings, announcements or other guidance issued pursuant thereto.

3. An account owner may authorize a direct rollover distribution from an account in the Program to another account in the Program so long as the designated beneficiary of the other account is a member of the family of the designated beneficiary of the account out of which the rollover distribution is being made. If the rollover distribution that is deposited in an account causes the total account balance of all accounts for a designated beneficiary to exceed the maximum aggregate balance for the accounts of a designated beneficiary established by the Board pursuant to NAC 353B.655, the excess money will be rejected and returned.

4. When authorizing a rollover distribution, the account owner must complete the forms and make such disclosures of financial information as required by the Plan Investment Manager and the Board.

(Added to NAC by St. Treasurer by R185-01, eff. 4-5-2002; A by R041-03, 10-29-2003; R054-09, 10-27-2009)