

## **Benefits of Proposed Statutory Amendments**

June 11, 2024

Hello. I'm Diane Brewer, Executive Director for the Michigan Education Trust (MET). Under Internal Revenue Code (IRC) Section 529 individual States are authorized to establish and maintain prepaid tuition and investment-based programs. In Michigan we have MET which is prepaid, Michigan Education Savings Program (MESP) which is direct sold and the Michigan Advisor Plan (MAP) which is advisor sold. MET is proud to be the first prepaid tuition program in the nation. Since the first contract sales in 1988, MET has grown to 135,292 contracts with current assets of \$1.1B saved. These contract purchasers and beneficiaries, and their college saving dollars, will benefit greatly from the proposed amendments to PA 316 of 1986.

Proposed amendments to PA 316 of 1986 – Michigan Education Trust (MET)

- Sec. 4(d) – adding reference to IRC Section 529 – Adding this to the definitions supports the reference to Sec. 529 in Section 8 and updates the IRC 529 effective date as Rep. MacDonell mentioned. In addition, allows the program to incorporate other benefits of the federal law, i.e., rollovers to MiABLE and IRAs as well as the ability to use any remaining funds to pay off outstanding student loans.
- Sec. 8(1)(c)(ii) – IRC Sec. 529 was recently expanded to allow tax free withdrawals for expenses at apprenticeship programs. This will expand the ability to use MET contracts for postsecondary education without penalty.

- Sec. 8(2)(c) – allows the program to provide a refund if a beneficiary has used more than half the contract benefits and allows the provision to be grandfathered to contracts purchased in 1988 and beyond. Current law does not allow a refund if more than half the contract benefits have been used.
- Sec. 8(2)(d) – adds an option to release lumpsum refunds as opposed to disbursements made over 4 years. This provision was originally intended to protect the actuarial soundness of the trust. The trust is financially sound and lump sum disbursements will not have a negative financial impact.
- These proposed amendments will expand the flexibility of MET with minimal financial impact on the funding status of the program. **MET receives no state funding.**

Thank you for your time and attention regarding the Michigan Education Trust. At this time I will ask Robin Lott, Bureau Director of the Office of Postsecondary Financial Planning to speak about the Michigan Education Savings Program (MESP). MESP currently serves 315,905 account holders with total assets of \$8B saved.

Proposed amendments to PA 161 of 2000, Michigan Education Savings Program  
(MESP)

- Sec. 2(g) updates the IRC Sec. 529 reference effective date to January 1, 2024. This allows the program to incorporate recent amendments to IRC Sec. 529 which expands qualified withdrawals to be used for expenses at apprenticeship programs. It also allows excess or remaining funds in MESP accounts to be used to pay outstanding student loans and provide opportunity for rollovers to MiABLE and IRAs tax free and without penalty.
- Sec. 2(m) identifies or specifies the apprenticeship expenses and student loan language that is already in the updated IRC Sec. 529.
- These amendments expand the flexibility of the program and do not have a financial impact. **MESP does not receive state funding.**

Thank you so much for your time. We will gladly take time to answer any questions you may have.