

136G.11 MATCHING GRANTS.

Subdivision 1. **Matching grant qualification.** By July 1 of each year, a state matching grant must be added to each account established under the program if the following conditions are met:

- (1) the contributor applies, in writing in a form prescribed by the director, for a matching grant;
 - (2) a minimum contribution of \$200 was made during the preceding calendar year;
 - (3) the beneficiary's family meets Minnesota college savings plan residency requirements;
- and
- (4) the family income of the beneficiary did not exceed \$80,000.

Subd. 2. **Family income.** (a) For purposes of this section, "family income" means:

(1) if the beneficiary is under age 25, the combined adjusted gross income of the beneficiary's parents or legal guardians as reported on the federal tax return or returns for the calendar year in which contributions were made. If the beneficiary's parents or legal guardians are divorced, the income of the parent claiming the beneficiary as a dependent on the federal individual income tax return and the income of that parent's spouse, if any, is used to determine family income; or

(2) if the beneficiary is age 25 or older, the combined adjusted gross income of the beneficiary and spouse, if any.

(b) For a parent or legal guardian of beneficiaries under age 25 and for beneficiaries age 25 or older who resided in Minnesota and filed a federal individual income tax return, the matching grant must be based on family income from the calendar year in which contributions were made.

Subd. 3. **Residency requirement.** (a) If the beneficiary is under age 25, the beneficiary's parents or legal guardians must be Minnesota residents to qualify for a matching grant. If the beneficiary is age 25 or older, the beneficiary must be a Minnesota resident to qualify for a matching grant.

(b) To meet the residency requirements, the parent or legal guardian of beneficiaries under age 25 must have filed a Minnesota individual income tax return as a Minnesota resident and claimed the beneficiary as a dependent on the parent or legal guardian's federal tax return for the calendar year in which contributions were made. If the beneficiary's parents are divorced, the parent or legal guardian claiming the beneficiary as a dependent on the federal individual income tax return must be a Minnesota resident. For beneficiaries age 25 or older, the beneficiary, and a spouse, if any, must have filed a Minnesota and a federal individual income tax return as a Minnesota resident for the calendar year in which contributions were made.

(c) A parent of beneficiaries under age 25 and beneficiaries age 25 or older who did not reside in Minnesota in the calendar year in which contributions were made are not eligible for a matching grant.

Subd. 4. **Age and date of birth determination of beneficiary.** In determining the age of the beneficiary for purposes of a matching grant, the plan administrator shall use the age of the beneficiary as reported on the participation agreement on December 31 of the year in which the request for a matching grant is made.

Subd. 5. **Amount of matching grant.** The amount of the matching grant for a beneficiary equals:

(1) if the beneficiary's family income is \$50,000 or less, 15 percent of the sum of the contributions made to the beneficiary's account during the calendar year, not to exceed \$400; and

(2) if the beneficiary's family income is more than \$50,000 but not more than \$80,000, ten percent of the sum of the contributions made to the beneficiary's account during the calendar year, not to exceed \$400.

Subd. 6. **Budget limit.** If the total amount of matching grants determined under subdivision 3 exceeds the amount of the appropriation for the fiscal year, the director shall proportionately reduce each grant so that the total equals the available appropriation. The director must reduce matching grants so that the amount of the matching grant assigned to a beneficiary's account equals:

(1) the ratio of state appropriations for the matching grant divided by the total dollar amount of matching grants for all beneficiaries; multiplied by

(2) the dollar amount of the matching grant for each eligible beneficiary.

Subd. 7. **Coordination with Department of Revenue.** In administering matching grants, the director may require that applicants submit sufficient information to determine whether the beneficiary qualifies for a grant, including the Social Security numbers, family income information, and any other information the director determines necessary. The applicant or applicants may authorize the director to request information from the commissioner of revenue to verify eligibility for a grant from tax information on file with the commissioner or obtained from the Internal Revenue Service. If this method is used and the taxpayer has authorized a release of the information to the director, the commissioner of revenue may verify that the beneficiary is eligible for a grant at a specified rate and maximum and disclose that information to the director, notwithstanding the provisions of chapter 270B.

Subd. 8. **Private contributions.** (a) The office may solicit and accept contributions from private corporations, other businesses, foundations, employers, or individuals to provide:

- (1) matching grants under this section in addition to those funded with direct appropriations;
- (2) grants to students who withdraw money from accounts established under the program; or
- (3) contributions to an account on behalf of a beneficiary.

(b) Amounts contributed may only be used for those purposes. Amounts contributed are appropriated to the director for the purposes of this subdivision.

(c) Contributors may designate a specific field of study, geographic area, or other criteria that govern use of the grants funded with their contributions, but may not discriminate on the basis of race, ethnicity, or gender. The office may refuse contributions that are subject, in the judgment of the director, to unacceptable conditions on their use.

Subd. 9. **Annual application.** An account owner must submit an application form for a matching grant on an annual basis. The application must be postmarked by May 1 of the year in which the matching grant would be awarded if the applicant qualifies for a matching grant.

Subd. 10. **Single beneficiaries with multiple accounts.** (a) A matching grant will first be computed on an account owned by a parent or legal guardian of the beneficiary, or an account owner who is also the beneficiary. If there are multiple accounts for a single beneficiary, any

matching grant, up to the annual maximum, will be proportionately awarded to the beneficiary named in accounts owned by the parents or guardians.

(b) If the account owned by a parent or a guardian or an account owner who is also the beneficiary does not qualify for the maximum annual matching grant, any remaining matching grant funds are proportionately distributed to the beneficiary to an account or accounts owned by someone other than the parent or guardian.

(c) If the account for a beneficiary is not owned by a parent or a legal guardian, or an account owner who is also the beneficiary, then the matching grant will be proportionately distributed to the beneficiary to accounts owned by others.

Subd. 11. **Ownership of matching grant funds.** The state retains ownership of all matching grants and earnings on matching grants until a qualified distribution is made to a beneficiary or an eligible educational institution.

Subd. 12. **Inactive accounts with matching grants.** (a) The plan administrator will attempt to locate the account owner or the beneficiary of an inactive account with a matching grant to determine the disposition of the account. No fee will be charged for this service. The matching grants and matching grant earnings in the account must be returned to the office, unless the account owner applies for a deferment or the beneficiary begins attending an eligible educational institution within one year of the date of notification.

(b) The account owner may apply to the plan administrator for a deferment of inactive account time limits. Upon application, the plan administrator shall grant a onetime deferment of two years. In addition, the plan administrator shall grant a deferment for the beneficiary's initial enlistment for active duty in the armed forces of the United States, or for the period of active military duty required as part of the beneficiary's obligation as a member in a reserve military unit of the armed forces of the United States.

Subd. 13. **Forfeiture of matching grants.** (a) Matching grants are forfeited if:

(1) the account owner transfers the total account balance of an account to another account or to another qualified tuition program;

(2) the beneficiary receives a full tuition scholarship or is attending a United States service academy;

(3) the beneficiary dies or becomes disabled;

(4) the account owner changes the beneficiary of the account; or

(5) the account owner closes the account with a nonqualified withdrawal.

(b) Matching grants must be proportionally forfeited if:

(1) the account owner transfers a portion of an account to another account or to another qualified tuition program;

(2) the beneficiary receives a scholarship covering a portion of qualified higher education expenses; or

(3) the account owner makes a partial nonqualified withdrawal.

(c) If the account owner makes a misrepresentation in a participation agreement or an application for a matching grant that results in a matching grant, the matching grant associated

with the misrepresentation is forfeited. The office and the board must instruct the plan administrator as to the amount to be forfeited from the matching grant account. The office and the board must withdraw the matching grant or the proportion of the matching grant that is related to the misrepresentation.

History: *1997 c 183 art 2 s 16; 1999 c 214 art 2 s 10; 1Sp2001 c 1 art 3 s 13-21,23; 2003 c 133 art 3 s 17-21; 2005 c 107 art 2 s 40-43; 2007 c 144 art 2 s 43; 2008 c 363 art 4 s 9*