CHAPTER 136G

COLLEGE SAVINGS PLAN

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136G.01 PLAN ESTABLISHED.

A college savings plan known as "the Minnesota college savings plan" or "the Minnesota 529 college savings plan" is established. In establishing this plan, the legislature seeks to encourage individuals to save for postsecondary education by:

(1) providing a qualified tuition plan under federal tax law; and

(2) encouraging individuals, foundations, and businesses to provide additional grants to participating students.

History: *1997 c 183 art 2 s 12; 1Sp2001 c 1 art 3 s 2,23; 2003 c 133 art 3 s 4; 1Sp2011 c 5 art 2 s 5; 2020 c 109 art 2 s 1*

136G.03 DEFINITIONS.

Subdivision 1. **General.** For purposes of sections 136G.01 to 136G.14, the following terms have the meanings given.

Subd. 2. **Account.** "Account" means the formal record of transactions relating to a Minnesota college savings plan beneficiary.

Subd. 3. **Account owner.** "Account owner" means a person who enters into a participation agreement and is entitled to conduct transactions on the account, including selecting and changing the beneficiary of an account and receiving distributions from the account.

Subd. 4. MS 2018 [Repealed, 2020 c 109 art 2 s 17]

Subd. 4a. **Application.** "Application" means the form executed by a prospective account owner to enter into a participation agreement and open an account in the plan. The application incorporates by reference the participation agreement.

Subd. 5. **Beneficiary.** "Beneficiary" means the designated beneficiary for the account, as defined in section 529(e)(1) of the Internal Revenue Code.

Subd. 6. **Board.** "Board" means the State Board of Investment.

Subd. 7. **Contingent account owner.** "Contingent account owner" means the person designated as the account owner, either in the participation agreement or pursuant to a separate Minnesota college savings plan form, in the event of the death of the account owner.

Subd. 8. **Contribution.** "Contribution" means a payment directly allocated to an account for the benefit of a beneficiary. For a rollover distribution, only the portion of the rollover amount that constitutes investment in the account is treated as a contribution to the account. For purposes of this chapter, "contribution" includes a recontribution that satisfies the requirements of section 529(c)(3)(D) of the Internal Revenue Code.

Subd. 9. **Commissioner.** "Commissioner" means the commissioner of the Minnesota Office of Higher Education.

Subd. 10. **Distribution.** "Distribution" means a disbursement from an account. Distribution does not include a change of beneficiary to a member of the family of the prior beneficiary or a rollover distribution.

Subd. 11. MS 2024 [Repealed, 2026 c 116 s 69]

Subd. 12. **Earnings.** "Earnings" means the total account balance minus the investment in the account.

Subd. 13. **Eligible educational institution.** "Eligible educational institution" means an institution as defined in section 529(e)(5) of the Internal Revenue Code.

Subd. 14. **Inactive account with a matching grant account.** "Inactive account with a matching grant account" means an account in which the beneficiary:

(1) is not the account owner, the beneficiary has reached 28 years of age, and the beneficiary has not informed the plan administrator that the beneficiary is enrolled in an eligible educational institution;

(2) is the account owner, the beneficiary was over the age of 18 when the account was opened, and the beneficiary has not informed the program administrator that the beneficiary is enrolled in an eligible educational institution within ten years of the date of opening the account; or

(3) is the account owner, the beneficiary was a minor when the account was opened, the account becomes inactive when the beneficiary turns 28 years of age, and the beneficiary has not informed the program administrator that the beneficiary is enrolled in an eligible educational institution.

Subd. 15. **Executive director.** "Executive director" means the executive director of the State Board of Investment.

Subd. 16. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

Subd. 17. **Investment in the account.** "Investment in the account" means the sum of all contributions made to an account by a particular date minus the aggregate amount of contributions included in distributions or rollover distributions, if any, made from the account as of that date.

Subd. 18. **Matching grant.** "Matching grant" means an amount added to a matching grant account under section 136G.11 for eligible account beneficiaries for account contributions in calendar years 2001 to 2010.

Subd. 19. **Matching grant account.** "Matching grant account" means an account owned by the state that contains matching grants and earnings.

Subd. 20. **Maximum account balance limit.** "Maximum account balance limit" means the amount established by the office under section 136G.09, subdivision 8, paragraph (b).

Subd. 21. **Member of the family.** "Member of the family" means an individual who is related to the beneficiary as defined in section 529(e)(2) of the Internal Revenue Code.

Subd. 21a. **Minor trust account.** "Minor trust account" means a Uniform Gift to Minors Act account or a Uniform Transfers to Minors Act account created and operating under the laws of Minnesota or another state.

Subd. 22. MS 2018 [Repealed, 2020 c 109 art 2 s 17]

Subd. 23. **Office.** "Office" means the Minnesota Office of Higher Education.

Subd. 24. **Participation agreement.** "Participation agreement" means an agreement to participate in the Minnesota college savings plan between an account owner and the state, through its agencies, the office, and the board.

Subd. 25. [Repealed, 2003 c 133 art 3 s 28]

Subd. 26. **Person.** "Person" means an individual, trust, estate, partnership, association, company, corporation, or the state.

Subd. 27. **Plan.** "Plan" refers to the plan established under sections 136G.01 to 136G.14.

Subd. 28. **Plan administrator.** "Plan administrator" means the person selected by the office and the board to administer the daily operations of the Minnesota college savings plan and to provide marketing, record keeping, investment management, and other services for the program.

Subd. 29. **Qualified distribution.** "Qualified distribution" means a distribution made from an account for qualified higher education expenses of the beneficiary.

Subd. 30. **Qualified higher education expenses.** "Qualified higher education expenses" means expenses as defined in sections 529(c)(7), (8), and (9); 529(e)(3); and 529(f) of the Internal Revenue Code.

Subd. 31. **Qualified rollover distribution.** "Qualified rollover distribution" means a distribution that qualifies as a rollover under section 529(c)(3)(C) and (E) of the Internal Revenue Code.

Subd. 32. **Scholarship.** "Scholarship" means a scholarship or educational assistance allowance.

Subd. 33. **State.** "State" means the state of Minnesota and any Minnesota agency or political subdivision of Minnesota.

Subd. 33a. **Taxable distribution.** "Taxable distribution" means: (1) a distribution made from an account other than a qualified distribution, the earnings on which are subject to one or more federal taxes; or (2) a distribution subject to additional federal tax under section 529(c)(6) of the Internal Revenue Code.

Subd. 34. **Total account balance.** "Total account balance" means the amount in an account on a particular date or the fair market value of an account on a particular date.

Subd. 35. **Uncashed distribution check.** "Uncashed distribution check" means any distribution check generated by an account owner's request regardless of the payee that remains uncashed by the payee for at least 180 days.

History: *1997 c 183 art 2 s 13; 1Sp2001 c 1 art 3 s 3,23; 2002 c 220 art 5 s 8; 2002 c 379 art 1 s 48; 2003 c 133 art 3 s 5-7; 2005 c 107 art 2 s 33-36,60; 1Sp2011 c 5 art 2 s 6-8; 2012 c 270 s 9; 2013 c 99 art 2 s 29; 2020 c 109 art 2 s 2-7; 2026 c 116 s 58-60*

136G.05 MINNESOTA OFFICE OF HIGHER EDUCATION.

Subdivision 1. **Responsibilities.** (a) The commissioner shall establish the rules, terms, and conditions for the plan, subject to the requirements of sections 136G.01 to 136G.14.

(b) The commissioner shall prescribe the application forms, procedures, and other requirements that apply to the plan.

Subd. 2. **Accounts-type plan.** The office must establish the plan and the plan must be operated as an accounts-type plan that permits persons to save for qualified higher education expenses. A separate account must be maintained for each beneficiary for whom contributions are made.

Subd. 3. **Consultation with State Board of Investment.** In designing and establishing the plan's requirements and in negotiating or entering into contracts with third parties under subdivision 8, the commissioner shall consult with the executive director. The commissioner and the executive director shall establish an annual fee, equal to a percentage of the average daily net assets of the plan, to be imposed on participants to recover the costs of administration, record keeping, and investment management as provided in subdivision 9 and section 136G.07, subdivision 4.

Subd. 4. **Plan to comply with federal law.** The commissioner shall ensure that the plan meets the requirements for a qualified tuition program under section 529(b)(1)(A)(ii) of the Internal Revenue Code. The commissioner may request a private letter ruling or rulings from the Internal Revenue Service or take any other steps to ensure that the plan qualifies under section 529 of the Internal Revenue Code or other relevant provisions of federal law.

Subd. 5. **Taxable distributions and matching grants.** There cannot be a taxable distribution of matching grant funds and any refund of matching grants must be returned to the office.

Subd. 6. MS 2018 [Repealed, 2020 c 109 art 2 s 17]

Subd. 7. **Marketing.** The commissioner shall make parents and other interested individuals aware of the availability and advantages of the plan as a way to save for higher education costs.

Subd. 8. **Administration.** The commissioner shall administer the program, including accepting and processing applications, maintaining account records, making payments, and undertaking any other necessary tasks to administer the program. The office may contract with one or more third parties to carry out some or all of these administrative duties, including providing incentives and marketing the program. The office and the board may jointly contract with third-party providers, if the office and board determine that it is desirable to contract with the same entity or entities for administration and investment management.

Subd. 9. **Authority to impose fees.** The office may impose annual fees, as provided in subdivision 3, on participants in the plan to recover the costs of administration. The office must use its best efforts to keep these fees as low as possible, consistent with efficient administration, so that the returns on savings invested in the plan will be as high as possible.

Subd. 10. **Data.** Account owner data, account data, and data on beneficiaries of accounts are private data on individuals or nonpublic data as defined in section 13.02, except that the names and addresses of the beneficiaries of accounts that receive matching grants are public. The office may use data received under this chapter to share information with account owners about the office's other programs and resources including those that describe the process to pay for postsecondary education.

History: *1997 c 183 art 2 s 14; 1999 c 214 art 2 s 8; 2001 c 202 s 9; 1Sp2001 c 1 art 3 s 4-9,23; 2003 c 133 art 3 s 8-10; 2005 c 107 art 2 s 37,60; 1Sp2011 c 5 art 2 s 9-11; 2013 c 99 art 2 s 29; 2015 c 69 art 2 s 19; 2020 c 109 art 2 s 8-10; 2026 c 116 s 61*

136G.07 INVESTMENT OF ACCOUNTS.

Subdivision 1. **State board to invest.** The State Board of Investment shall invest the money deposited in accounts in the plan. Except as permitted by the Internal Revenue Code, neither persons making

contributions to an account nor beneficiaries may direct the investment of contributions to the plan or plan earnings.

Subd. 2. **Permitted investments.** The board may invest the accounts in any permitted investment under section 11A.24, except that the accounts may be invested without limit in investment options from open-ended investment companies registered under the federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1 to 80a-64.

Subd. 3. **Contracting authority.** The board may contract with one or more third parties for investment management, record keeping, or other services in connection with investing the accounts. The board and office may jointly contract with third-party providers, if the office and board determine that it is desirable to contract with the same entity or entities for administration and investment management.

Subd. 4. **Fees.** The board may impose annual fees, as provided in section 136G.05, subdivision 3, on participants in the plan to recover the cost of investment management and related tasks for the plan. The board must use its best efforts to keep these fees as low as possible, consistent with high quality investment management, so that the returns on savings invested in the plan will be as high as possible.

History: *1997 c 183 art 2 s 15; 1999 c 214 art 2 s 9; 1Sp2001 c 1 art 3 s 10,11,23; 2002 c 220 art 5 s 9*

136G.09 PLAN ACCOUNTS; GENERALLY.

Subdivision 1. **Contributions to an account.** A person may make contributions to an account on behalf of a beneficiary. Contributions to an account made by persons other than the account owner become the property of the account owner. A person does not acquire an interest in an account by making contributions to an account. Contributions to an account must be made by check or other commercially acceptable means as permitted by the United States Internal Revenue Service and other applicable federal and state law and approved by the plan administrator in cooperation with the office and the board.

Subd. 2. **Authority of account owner.** Except as provided for minor trust accounts in section 136G.14, an account owner is the only person entitled to:

(1) select or change a beneficiary or a contingent account owner; or

(2) request distributions or rollover distributions from an account.

Subd. 3. **Security for loans.** An interest in an account or matching grant account must not be used as security for a loan.

Subd. 4. **Separate accounting.** The plan must provide a separate account for each beneficiary for whom contributions are made. Each account must have a single account owner and a single beneficiary. An account owner must not open more than one account for the same beneficiary, but several account owners may open accounts for the same beneficiary.

Subd. 5. **Naming of beneficiary.** The account owner must designate the beneficiary of an account when the account is established, except for accounts established under section 529(e)(1)(C) of the Internal Revenue Code, which do not require a designated beneficiary until a distribution is made.

Subd. 6. **Change of beneficiary.** Except as provided for minor trust accounts in section 136G.14, an account owner may change the beneficiary of an account to a member of the family of the current beneficiary, at any time without penalty, if the change will not cause the total account balance of all accounts held for the new beneficiary to exceed the maximum account balance limit as provided in subdivision 8. A change

of beneficiary other than as permitted in this subdivision is treated as a taxable distribution under section 136G.13, subdivision 3.

Subd. 7. **Change of account ownership.** Except as provided for minor trust accounts in section 136G.14, an account owner may transfer ownership of an account to another person eligible to be an account owner. All transfers of ownership are absolute and irrevocable.

Subd. 8. **Maximum account balance limit.** (a) When a contribution is made, the total account balance of all accounts held for the same beneficiary, including matching grant accounts, must not exceed the maximum account balance limit as determined under this subdivision.

(b) The office must establish a maximum account balance limit. The office must adjust the maximum account balance limit, as necessary, or on January 1 of each year. The maximum account balance limit must not exceed the amount permitted for the plan to qualify as a qualified tuition program under section 529 of the Internal Revenue Code.

Subd. 9. **Excess contributions and balances.** A contribution to any account for a beneficiary must be rejected if the contribution would cause the total account balance of all accounts held for the same beneficiary, including the matching grant account, to exceed the maximum account balance limit under section 529 of the Internal Revenue Code as established by the office.

Subd. 10. MS 2024 [Repealed, 2026 c 116 s 69]

Subd. 11. **Effect of plan changes on participation agreement.** Amendments to sections 136G.01 to 136G.13 automatically amend the participation agreement. Any amendments to the operating procedures and policies of the plan shall automatically amend the participation agreement after adoption by the office or the board.

Subd. 12. **Special account to hold plan assets in trust.** All assets of the plan, including contributions to accounts and matching grant accounts and earnings, are held in trust for the exclusive benefit of account owners and beneficiaries. Assets must be held in a separate account in the state treasury to be known as the Minnesota college savings plan account or in accounts with the third-party provider selected pursuant to section 136G.05, subdivision 8. Plan assets are not subject to claims by creditors of the state, are not part of the general fund, and are not subject to appropriation by the state. Payments from the Minnesota college savings plan account shall be made under sections 136G.01 to 136G.13.

History: *1Sp2001 c 1 art 3 s 12,23; 2002 c 220 art 5 s 10; 2003 c 133 art 3 s 11-16; 2005 c 107 art 2 s 38,39; 2014 c 149 s 72; 2020 c 109 art 2 s 11,12*

136G.11 MATCHING GRANTS.

Subdivision 1. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 2. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 3. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 4. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 5. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 6. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 7. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 8. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 9. [Repealed, 1Sp2011 c 5 art 2 s 15]

Subd. 10. [Repealed, 1Sp2011 c 5 art 2 s 15]

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, an account owner, an eligible educational institution, or any other third party as requested by an account owner.

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) any of the exceptions under section 530(d)(4)(B)(i) to (iv) of the Internal Revenue Code apply to the beneficiary, and the exceptions cover 100 percent of the beneficiary's qualified higher education expenses, unless the account owner requests the matching grant funds be used to make a qualified education loan repayment as defined in section 529(c)(9) of the Internal Revenue Code;

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

(4) the account owner closes the account with a taxable distribution.

(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; or

(2) the account owner takes a partial taxable distribution.

(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; 2020 c 109 art 2 s 13,14*

136G.13 ACCOUNT DISTRIBUTIONS.

Subdivision 1. **Qualified distribution methods.** (a) Qualified distributions may be made:

(1) directly to participating eligible educational institutions on behalf of the beneficiary;

(2) directly to the account owner or beneficiary; or

(3) to any other third party as requested by the account owner.

(b) Qualified distributions must be withdrawn proportionally from contributions and earnings in an account owner's account on the date of distribution as provided in section 529 of the Internal Revenue Code.

Subd. 2. **Matching grant accounts.** Matching grant account funds may be used as part or all of a qualified distribution.

Subd. 3. **Taxable distribution.** An account owner may request a taxable distribution from an account at any time. Taxable distributions are based on the total account balances in an account owner's account and must be withdrawn proportionally from contributions and earnings as provided in section 529 of the Internal Revenue Code. For purposes of this subdivision, "earnings portion" means the ratio of the earnings in the account to the total account balance, immediately prior to the distribution, multiplied by the distribution.

Subd. 4. **Taxable distributions from matching grant accounts.** (a) If an account owner requests a taxable distribution from an account that has a matching grant account, the total account balance of the matching grant account, if any, is reduced.

(b) After the taxable distribution is withdrawn from the account, the account owner forfeits matching grant amounts in the same proportion as the taxable distribution is to the total account balance of the account.

Subd. 5. **Distributions due to death or disability of, or scholarship to, or attendance at a United States military academy by, a beneficiary.** An account owner may request a distribution due to the death or disability of, or scholarship to, or attendance at a United States military academy by, a beneficiary from an account by submitting a completed request to the plan. The plan shall apprise the account owner that the account owner is responsible for obtaining and retaining records and other documentation adequate to substantiate a distribution under this section.

Subd. 6. **Handling of uncashed distribution checks.** Unless otherwise directed by the office, the plan administrator must mark an uncashed distribution check as no longer outstanding and must credit back the amount of the check to the account owner's account from which the check was originally disbursed. The amount being credited must be accounted for as a new contribution and be invested by the plan administrator according to the current instructions on file from the account owner.

History: *1Sp2001 c 1 art 3 s 22,23; 1Sp2001 c 9 art 15 s 32; 2003 c 133 art 3 s 22,23; 2005 c 107 art 2 s 44,45; 2016 c 119 s 7; 2020 c 109 art 2 s 15; 2026 c 116 s 62*

136G.14 MINOR TRUST ACCOUNTS.

(a) This section applies to a plan account in which funds of a minor trust account are invested.

(b) The account owner may not be changed to any person other than a successor custodian or the beneficiary unless a court order directing the change of ownership is provided to the plan administrator. The custodian must sign all forms and requests submitted to the plan administrator in the custodian's representative capacity. The custodian must notify the plan administrator in writing when the beneficiary becomes legally

entitled to be the account owner. An account owner under this section may not select a contingent account owner.

(c) The beneficiary of an account under this section may not be changed. If the beneficiary dies, assets in a plan account become the property of the beneficiary's estate. Funds in an account must not be transferred or rolled over to another account owner or to an account for another beneficiary. A taxable distribution from an account, or a distribution that qualifies as an exception under section 530(d)(4)(B)(ii) to (iv) of the Internal Revenue Code, must be used for the benefit of the beneficiary.

(d) Funds in an account for a beneficiary under this section may be rolled over into an ABLE account under section 529A of the Internal Revenue Code, subject to the limits and requirements of section 529A of the Internal Revenue Code.

History: *2003 c 133 art 3 s 24; 2005 c 107 art 2 s 46; 2020 c 109 art 2 s 16*