
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 536 (Substitute S-2 as reported)
Sponsor: Senator Gary Peters
Committee: Finance

CONTENT

The bill would amend the Michigan Education Savings Program Act to provide that, after December 31, 2001, no penalty could be imposed for distributions that were not qualified distributions.

Under the Act, an individual may open an education savings account with a program manager (designated by the State) to save money for qualified higher education expenses of designated beneficiaries. The Act specifies that distributions from an account must be used for qualified higher education expenses, and prescribes various qualified expenses. If a distribution that is not a qualified withdrawal is made, the program manager must withhold an amount equal to 10% of the distribution as a penalty, and pay that amount to the Department of Treasury for deposit into the General Fund.

MCL 390.1477

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would have a very minimal negative impact on General Fund revenue. To date, penalties assessed on nonqualified withdrawals from education savings accounts total less than \$1,000.

Date Completed: 11-7-01

Fiscal Analyst: J. Wortley