

Article 4. Low-Income Family Postsecondary Savings Accounts Incentive Program

K.A.R. 3-4-1. Definitions. In addition to the terms and definitions in K.S.A. 75-643 and K.S.A. 75-650, and amendments thereto, the following terms shall have the meanings specified in this regulation:

(a) “Contribution” means any deposit made by a participant to the participant’s account during a calendar year, except any deposit that is one of the following:

- (1) A rollover from another account in the Kansas postsecondary education savings program;
- (2) a rollover from another state’s qualified tuition program as defined in internal revenue code section 529;
- (3) a transfer from a Coverdell education savings account as defined in internal revenue code section 530; or
- (4) a transfer of proceeds from a qualified U.S. savings bond as described in internal revenue code section 135(c)(2)(C).

(b) “Household” means a group of individuals who are related by birth, marriage, or adoption and who share a residence.

(c) “Participant” has the meaning specified in K.S.A. 75-650, and amendments thereto. Each participant shall be an account owner. Each joint account owner shall separately meet the program’s eligibility requirements. (Authorized by and implementing K.S.A. 2006 Supp. 75-650; effective, T-3-6-29-06, June 29, 2006; effective Oct. 27, 2006; amended P-7-6-2007.)

K.A.R. 3-4-2. Eligibility requirements. (a) Each applicant shall meet the following requirements:

(1) Be a resident of the state of Kansas;

(2) reside in a household with a combined federal adjusted gross income for all individuals residing in the household that is not more than 200 percent of the current federal poverty level; and

(3) not be claimed as a dependent on someone else's income tax return.

(b) Any individual who files a joint income tax return may apply individually or jointly with the other individual listed on the income tax return if that other individual also meets the program's eligibility requirements.

(c) Any set of joint account owners may apply either jointly for one matching grant or separately for one matching grant for each joint account owner. If multiple accounts are used to qualify for multiple matching grants, the same individuals shall be listed as the joint account owners of each account. (Authorized by and implementing K.S.A. 2006 Supp. 75-650; effective, T-3-6-29-06, June 29, 2006; effective Oct. 27, 2006; amended P-July 6, 2007.)

K.A.R. 3-4-3. Applications. Each application shall be processed in the order received for awarding the number of matching grants authorized by L. 2006, ch. 189, sec. 3, and amendments thereto. Each application shall be accompanied by a copy of the federal income tax return for the previous tax year for each individual residing in the household who is required to file an income tax return. (Authorized by and implementing L. 2006, ch. 189, sec. 3; effective T-3-6-29-06, June 29, 2006; effective P-October 27, 2006..)

K.A.R. 3-4-4. Eligibility period. Each participant shall be entitled to a matching grant equal to the amount of the participant's contributions to the participant's account or accounts for the program year in which the participant's application is approved. The program year shall coincide with the period designated for contributions that are eligible for the deduction pursuant to K.S.A. 79-32,117(c)(xv) and amendments thereto. Each participant shall reapply each program year to remain eligible for the program.

(Authorized by and implementing K.S.A. 2006 Supp. 75-650; effective, T-3-6-29-06, June 29, 2006; effective Oct. 27, 2006; amended P-7-6-2007.)

K.A.R. 3-4-5. Matching grant accounts. The matching grant funds for each participant shall be deposited in a separate account in the participant's name, with the following restrictions:

(a) Only the participant shall be the account owner of the matching grant account. Joint applicants shall be joint account owners of both their joint account and the corresponding matching grant account.

(b) No change in ownership of the participant's account or the corresponding matching grant account shall be allowed, except upon approval by the treasurer. A change in account ownership to another participant may be approved by the treasurer. A change in account ownership to any individual may be approved by the treasurer upon the participant's death, divorce, or incapacity.

(c) Any participant may change the designated beneficiary for that participant's account or accounts. However, the designated beneficiary for the matching grant account shall always be the same as the designated beneficiary for the participant's account.

(d) The investment portfolio for the corresponding matching grant account shall always be the same as the investment portfolio selected for the participant's account.

(e) Each request for a withdrawal from the matching grant account shall be submitted to the treasurer's office for approval. If the treasurer determines that the request is for qualified higher education expenses, then the request shall be approved. Each approved withdrawal from the matching grant account shall be paid either directly to the educational institution or to the participant or the designated beneficiary, upon presentation of documentation acceptable to the treasurer that the participant or

designated beneficiary has paid qualified higher education expenses at least equal to the amount of the requested withdrawal. Each approved withdrawal shall be equally funded from the participant's account and the corresponding matching grant account.

(Authorized by and implementing K.S.A. 2006 Supp. 75-650; effective, T-3-6-29-06, June 29, 2006; effective Oct. 27, 2006; amended P-7-6-2007.)

K.A.R. 3-4-6. Multiple accounts. Each participant with multiple accounts shall receive only one matching grant, which shall be allocated between or among the participant's corresponding matching grant accounts according to this regulation.

(a) If the participant has contributed at least \$600 in the current calendar year to existing accounts at the time the grant application is approved, the matching grant shall be equally divided among the accounts selected by the participant. However, the portion of the matching grant funds allocated to each corresponding matching grant account shall not exceed the participant's contributions to each of the participant's accounts for the applicable calendar year.

(b) If the participant is opening new accounts or has not contributed at least \$600 to an existing account in the current calendar year, the matching grant shall be automatically allocated among the participant's selected accounts based on how the participant contributes the first \$600 to these accounts. Joint account owners may receive multiple matching grants as specified in K.A.R. 3-4-2. (Authorized by and implementing K.S.A. 2006 Supp. 75-650; effective, T-3-6-29-06, June 29, 2006; effective Oct. 27, 2006; amended P-7-6-2007.)

K.A.R. 3-4-7. Forfeit of matching grant funds. (a)(1) Except as specified in paragraphs (a)(2) and (a)(3), funds in a participant's matching grant account shall be forfeited in an amount equal to either of the following:

(A) Any nonqualified withdrawal from the participant's account; or

(B) any rollover distribution to another qualified tuition plan.

(2) If any nonqualified withdrawal or rollover distribution closes the participant's account, the corresponding matching grant account shall be closed and its entire balance shall be forfeited.

(3) Any participant who contributes more than the \$600 maximum matching grant amount may make a nonqualified withdrawal or rollover distribution of the excess contribution without forfeiting funds from the matching grant account.

(b) If the treasurer determines that a participant has made a material misrepresentation on the participant's application, all matching grant funds resulting from the application shall be forfeited.

(c) If a participant's account ever becomes reportable as unclaimed property under K.S.A. 58-3934 et seq. and amendments thereto or the laws of any other state, the remaining balance in the matching grant account shall be forfeited.

(d) All forfeited funds shall be returned to the Kansas postsecondary education savings trust fund. (Authorized by and implementing L. 2006, ch. 189, sec. 3; effective, T-3-6-29-06, June 29, 2006; effective P- October 27, 2006.)