



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4872

by Rep. Amy Elik

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5

Amends the State Treasurer Act. Provides that qualified expenses related to special needs services include elementary and secondary school expenses incurred as a result of a recognized disability or an individualized education program. Makes conforming changes to the definition of "eligible educational institution". Defines "recognized disability" as a physical, developmental, or learning disability recognized by the State Board of Education.

LRB104 17843 SPS 31277 b

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The State Treasurer Act is amended by changing
5 Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool.

8 (a) Definitions. As used in this Section:

9 "Account owner" means any person or entity who has opened
10 an account or to whom ownership of an account has been
11 transferred, as allowed by the Internal Revenue Code, and who
12 has authority to withdraw funds, direct withdrawal of funds,
13 change the designated beneficiary, or otherwise exercise
14 control over an account in the College Savings Pool.

15 "Donor" means any person or entity who makes contributions
16 to an account in the College Savings Pool.

17 "Designated beneficiary" means any individual designated
18 as the beneficiary of an account in the College Savings Pool by
19 an account owner. A designated beneficiary must have a valid
20 social security number or taxpayer identification number. In
21 the case of an account established as part of a scholarship
22 program permitted under Section 529 of the Internal Revenue
23 Code, the designated beneficiary is any individual receiving

1 benefits accumulated in the account as a scholarship.

2 "Eligible educational institution" means public and
3 private colleges, junior colleges, graduate schools, and
4 certain vocational institutions that are described in Section
5 1001 of the Higher Education Resource and Student Assistance
6 Chapter of Title 20 of the United States Code (20 U.S.C. 1001)
7 and that are eligible to participate in Department of
8 Education student aid programs. "Eligible educational
9 institution" includes elementary and secondary educational
10 facilities in this State if the student attending the facility
11 has a recognized disability or an individualized education
12 program.

13 "Member of the family" has the same meaning ascribed to
14 that term under Section 529 of the Internal Revenue Code.

15 "Nonqualified withdrawal" means a distribution from an
16 account other than a distribution that (i) is used for the
17 qualified expenses of the designated beneficiary; (ii) results
18 from the beneficiary's death or disability; (iii) is a
19 rollover to another account in the College Savings Pool; (iv)
20 is a rollover to an Illinois ABLE account, as defined in
21 Section 16.6 of this Act, or any distribution that, within 60
22 days after such distribution, is transferred to an Illinois
23 ABLE account of the designated beneficiary or a member of the
24 family of the designated beneficiary to the extent that the
25 distribution, when added to all other contributions made to
26 the Illinois ABLE account for the taxable year, does not

1 exceed the limitation under Section 529A(b) of the Internal
2 Revenue Code; or (v) is a rollover to a Roth IRA account to the
3 extent permitted by Section 529 of the Internal Revenue Code.

4 "Qualified expenses" means: (i) tuition, fees, and the
5 costs of books, supplies, and equipment required for
6 enrollment or attendance at an eligible educational
7 institution; (ii) expenses for special needs services, in the
8 case of a special needs beneficiary, which are incurred in
9 connection with such enrollment or attendance, including
10 elementary and secondary school expenses incurred as a result
11 of a recognized disability or an individualized education
12 program; (iii) certain expenses, to the extent they qualify as
13 qualified higher education expenses under Section 529 of the
14 Internal Revenue Code, for the purchase of computer or
15 peripheral equipment or Internet access and related services,
16 if such equipment, software, or services are to be used
17 primarily by the beneficiary during any of the years the
18 beneficiary is enrolled at an eligible educational
19 institution, except that, such expenses shall not include
20 expenses for computer software designed for sports, games, or
21 hobbies, unless the software is predominantly educational in
22 nature; (iv) room and board expenses incurred while attending
23 an eligible educational institution at least half-time; (v)
24 expenses for fees, books, supplies, and equipment required for
25 the participation of a designated beneficiary in an
26 apprenticeship program registered and certified with the

1 Secretary of Labor under the National Apprenticeship Act (29
2 U.S.C. 50); and (vi) amounts paid as principal or interest on
3 any qualified education loan of the designated beneficiary or
4 a sibling of the designated beneficiary, as allowed under
5 Section 529 of the Internal Revenue Code. A student shall be
6 considered to be enrolled at least half-time if the student is
7 enrolled for at least half the full-time academic workload for
8 the course of study the student is pursuing as determined
9 under the standards of the institution at which the student is
10 enrolled.

11 "Recognized Disability" means a physical, developmental,
12 or learning disability recognized by the State Board of
13 Education, including, but not limited to, dyslexia or
14 dyscalculia.

15 (b) Establishment of the Pool. The State Treasurer may
16 establish and administer the College Savings Pool as a
17 qualified tuition program under Section 529 of the Internal
18 Revenue Code. The Pool may consist of one or more college
19 savings programs. The State Treasurer, in administering the
20 College Savings Pool, may: (1) receive, hold, and invest
21 moneys paid into the Pool; and (2) perform any other action he
22 or she deems necessary to administer the Pool, including any
23 other actions necessary to ensure that the Pool operates as a
24 qualified tuition program in accordance with Section 529 of
25 the Internal Revenue Code.

26 (c) Administration of the College Savings Pool. The State

1 Treasurer may delegate duties related to the College Savings
2 Pool to one or more contractors. The contributions deposited
3 in the Pool, and any earnings thereon, shall not constitute
4 property of the State or be commingled with State funds and the
5 State shall have no claim to or against, or interest in, such
6 funds; provided that the fees collected by the State Treasurer
7 in accordance with this Act, scholarship programs administered
8 by the State Treasurer, and seed funds deposited by the State
9 Treasurer under Section 16.8 of the Act are State funds.

10 (c-5) College Savings Pool Account Summaries. The State
11 Treasurer shall provide a separate accounting for each
12 designated beneficiary. The separate accounting shall be
13 provided to the account owner of the account for the
14 designated beneficiary at least annually and shall show the
15 account balance, the investment in the account, the investment
16 earnings, and the distributions from the account.

17 (d) Availability of the College Savings Pool. The State
18 Treasurer may permit persons, including trustees of trusts and
19 custodians under a Uniform Transfers to Minors Act or Uniform
20 Gifts to Minors Act account, and certain legal entities to be
21 account owners, including as part of a scholarship program,
22 provided that: (1) an individual, trustee or custodian must
23 have a valid social security number or taxpayer identification
24 number, be at least 18 years of age, and have a valid United
25 States street address; and (2) a legal entity must have a valid
26 taxpayer identification number and a valid United States

1 street address. In-state and out-of-state persons, trustees,
2 custodians, and legal entities may be account owners and
3 donors, and both in-state and out-of-state individuals may be
4 designated beneficiaries in the College Savings Pool.

5 (e) Fees. Any fees, costs, and expenses, including
6 investment fees and expenses and payments to third parties,
7 related to the College Savings Pool, shall be paid from the
8 assets of the College Savings Pool. The State Treasurer shall
9 establish fees to be imposed on accounts to cover such fees,
10 costs, and expenses, to the extent not paid directly out of the
11 investments of the College Savings Pool, and to maintain an
12 adequate reserve fund in line with industry standards for
13 government operated funds. The Treasurer must use his or her
14 best efforts to keep these fees as low as possible and
15 consistent with administration of high quality competitive
16 college savings programs.

17 (f) Investments in the State. To enhance the safety and
18 liquidity of the College Savings Pool, to ensure the
19 diversification of the investment portfolio of the College
20 Savings Pool, and in an effort to keep investment dollars in
21 the State of Illinois, the State Treasurer may make a
22 percentage of each account available for investment in
23 participating financial institutions doing business in the
24 State.

25 (g) Investment policy. The Treasurer shall develop,
26 publish, and implement an investment policy covering the

1 investment of the moneys in each of the programs in the College
2 Savings Pool. The policy shall be published each year as part
3 of the audit of the College Savings Pool by the Auditor
4 General, which shall be distributed to all account owners in
5 such program. The Treasurer shall notify all account owners in
6 such program in writing, and the Treasurer shall publish in a
7 newspaper of general circulation in both Chicago and
8 Springfield, any changes to the previously published
9 investment policy at least 30 calendar days before
10 implementing the policy. Any investment policy adopted by the
11 Treasurer shall be reviewed and updated if necessary within 90
12 days following the date that the State Treasurer takes office.

13 (h) Investment restrictions. An account owner may,
14 directly or indirectly, direct the investment of his or her
15 account only as provided in Section 529(b)(4) of the Internal
16 Revenue Code. Donors and designated beneficiaries, in those
17 capacities, may not, directly or indirectly, direct the
18 investment of an account.

19 (i) Distributions. Distributions from an account in the
20 College Savings Pool may be used for the designated
21 beneficiary's qualified expenses, and if not used in that
22 manner, may be considered a nonqualified withdrawal. Funds
23 contained in a College Savings Pool account may be rolled over
24 into:

25 (1) an eligible Illinois ABLE account, as defined in
26 Section 16.6 of this Act to the extent permitted by

1 Section 529 of the Internal Revenue Code;

2 (2) another qualified tuition program, to the extent
3 permitted by Section 529 of the Internal Revenue Code; or

4 (3) a Roth IRA account, to the extent permitted by
5 Section 529 of the Internal Revenue Code.

6 Distributions made from the College Savings Pool may be
7 made directly to the eligible educational institution,
8 directly to a vendor, in the form of a check payable to both
9 the designated beneficiary and the institution or vendor,
10 directly to the designated beneficiary or account owner, or in
11 any other manner that is permissible under Section 529 of the
12 Internal Revenue Code.

13 (j) Contributions. Contributions to the College Savings
14 Pool shall be as follows:

15 (1) Contributions to an account in the College Savings
16 Pool may be made only in cash.

17 (2) The Treasurer shall limit the contributions that
18 may be made to the College Savings Pool on behalf of a
19 designated beneficiary, as required under Section 529 of
20 the Internal Revenue Code, to prevent contributions for
21 the benefit of a designated beneficiary in excess of those
22 necessary to provide for the qualified expenses of the
23 designated beneficiary. The Pool shall not permit any
24 additional contributions to an account as soon as the sum
25 of (i) the aggregate balance in all accounts in the Pool
26 for the designated beneficiary and (ii) the aggregate

1 contributions in the Illinois Prepaid Tuition Program for
2 the designated beneficiary reaches the specified balance
3 limit established from time to time by the Treasurer.

4 (k) Illinois Student Assistance Commission. The Treasurer
5 and the Illinois Student Assistance Commission shall each
6 cooperate in providing each other with account information, as
7 necessary, to prevent contributions in excess of those
8 necessary to provide for the qualified expenses of the
9 designated beneficiary, as described in subsection (j).

10 The Treasurer shall work with the Illinois Student
11 Assistance Commission to coordinate the marketing of the
12 College Savings Pool and the Illinois Prepaid Tuition Program
13 when considered beneficial by the Treasurer and the Director
14 of the Illinois Student Assistance Commission.

15 (l) Prohibition; exemption. No interest in the program, or
16 any portion thereof, may be used as security for a loan. Moneys
17 held in an account invested in the College Savings Pool shall
18 be exempt from all claims of the creditors of the account
19 owner, donor, or designated beneficiary of that account,
20 except for the non-exempt College Savings Pool transfers to or
21 from the account as defined under subsection (j) of Section
22 12-1001 of the Code of Civil Procedure.

23 (m) Taxation. The assets of the College Savings Pool and
24 its income and operation shall be exempt from all taxation by
25 the State of Illinois and any of its subdivisions. The accrued
26 earnings on investments in the Pool once disbursed on behalf

1 of a designated beneficiary shall be similarly exempt from all
2 taxation by the State of Illinois and its subdivisions, so
3 long as they are used for qualified expenses. Contributions to
4 a College Savings Pool account during the taxable year may be
5 deducted from adjusted gross income as provided in Section 203
6 of the Illinois Income Tax Act. The provisions of this
7 paragraph are exempt from Section 250 of the Illinois Income
8 Tax Act.

9 (n) Rules. The Treasurer shall adopt rules he or she
10 considers necessary for the efficient administration of the
11 College Savings Pool. The rules shall provide whatever
12 additional parameters and restrictions are necessary to ensure
13 that the College Savings Pool meets all the requirements for a
14 qualified tuition program under Section 529 of the Internal
15 Revenue Code.

16 Notice of any proposed amendments to the rules and
17 regulations shall be provided to all account owners prior to
18 adoption.

19 (o) Bond. The State Treasurer shall give bond with at
20 least one surety, payable to and for the benefit of the account
21 owners in the College Savings Pool, in the penal sum of
22 \$10,000,000, conditioned upon the faithful discharge of his or
23 her duties in relation to the College Savings Pool.

24 (p) The changes made to subsections (c) and (e) of this
25 Section by Public Act 101-26 are intended to be a restatement
26 and clarification of existing law.

1 (Source: P.A. 103-778, eff. 8-2-24; 104-314, eff. 1-1-26.)