

OFFICE OF POLICY AND LEGAL ANALYSIS

Date: February 23, 2021

To: Committee on Innovation, Development, Economic Advancement and Commerce

From: Samuel Senft, Legislative Analyst

LD 19 An Act To Amend the Maine Education Savings Program (Daughtry)

SUMMARY

This bill conforms elements of the Maine Education Savings Program to recent changes to federal law affecting so-called Section 529 plans. It also makes certain other needed updates to the program and makes permissive rather than mandatory the investment of program fund dollars by the Finance Authority of Maine in state-based financial institutions.

TESTIMONY

<p>Proponents:</p> <ul style="list-style-type: none">• This bill amends the governing statutes of the Maine Education Savings Program, or NextGen 529™ (NextGen), Maine's Section 529 plan, which FAME administers, to reflect federal changes to 529 plans.• Also makes other necessary updates• Makes permissive (rather than mandatory) the investment of fund dollars by FAME in state-based financial institutions.• This bill was considered by IDEA last session and received a favorable vote. Died when the legislature abruptly adjourned.• NextGen is now one of the biggest 529 programs in the nation• Assets can now be used for eligible K-12 tuition, for ABLE account rollovers and at eligible US accredited postsecondary institutions.• Language in bill establishes consistency with federal changes and clarifies benefits.
<p>Opponents: NONE</p> <ul style="list-style-type: none">•
<p>Neither For Nor Against: NONE</p> <ul style="list-style-type: none">•

ADDITIONAL INFORMATION:

- A link to the NextGen program website is provided
- The following recent federal acts established significant changes to 529 plans
 1. The Tax Cuts and Jobs Act of 2017 allowed for the following:
 - Use of up to \$10,000 per beneficiary each year at a K-12 school
 - Rollovers from a 529 to an ABLE account for the same beneficiary or family members (ABLE accounts are for people who become disabled before age 26)
 2. The Secure Act of 2019 allowed for the following:
 - Use of up to \$10,000 to repay the beneficiary's student loans
 - Use of up to an additional \$10,000 to repay loans held by the beneficiary's siblings

- Use of funds to pay for apprenticeships

POTENTIAL ISSUES:

- None

FISCAL IMPACT: Not yet determined

Links

- [NextGen Website](#)
- Existing Statute: [20-A MRSA ch. 417-E MAINE EDUCATION SAVINGS PROGRAM](#)