

**SENATE FLOOR VERSION**  
February 9, 2026

SENATE BILL NO. 1989 By: Nice

An Act relating to the Oklahoma College Savings Plan; amending 70 O.S. 2021, Section 3970.7, which relates to operation through use of accounts; expanding options for making contributions to accounts; updating statutory language; updating statutory reference; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 70 O.S. 2021, Section 3970.7, is amended to read as follows:

Section 3970.7. A. The program shall be operated through the use of accounts. An account may be opened by any person who desires to save to pay the qualified higher education expenses of a person by:

1. Completing an application in the form prescribed by the Board;

2. Paying the one-time application fee established by the Board:

3. Making the minimum contribution required by the Board or by opening an account; and

1       4. Designating the type of account to be opened if more than  
2 one type of account is offered.

3       B. Any person may make contributions to an account after the  
4 account is opened.

5       C. Contributions to accounts may be made ~~only~~ in cash or by the  
6 use of digital peer-to-peer payment networks and digital payment  
7 networks.

8       D. Account owners may withdraw all or part of the balance from  
9 an account on sixty (60) days' notice, or a shorter period as may be  
10 authorized by the Board, under rules prescribed by the Board. These  
11 rules shall include provisions that will generally enable the Board  
12 or program manager to determine if a withdrawal is a nonqualified  
13 withdrawal or a qualified withdrawal. The rules may, but need not,  
14 require one or more of the following:

15       1. Account owners seeking to make a qualified withdrawal or  
16 other withdrawal that is not a nonqualified withdrawal shall provide  
17 certifications, copies of bills for qualified higher education  
18 expenses or other supporting material;

19       2. Qualified withdrawals from an account shall be made only by  
20 a check payable jointly to the designated beneficiary and a higher  
21 education institution; or

22       3. Withdrawals not meeting certain requirements shall be  
23 treated as nonqualified withdrawals by the program manager.

1       E. An account owner may change the designated beneficiary of an  
2 account to an individual who is a member of the family of the former  
3 designated beneficiary in accordance with procedures established by  
4 the Board.

5       F. An account owner may make the following changes and  
6 transfers relating to the account:

7           1. Change the beneficiary of the account;

8           2. Transfer funds between accounts; and

9           3. Transfer funds between an account and an account in a  
10 qualified tuition program in another state or make a deposit to a  
11 new or existing account or to an account in a qualified tuition  
12 program in another state.

13           The account owner shall be informed that certain tax  
14 consequences may apply to these changes.

15       G. An account owner may make the changes, transfers, and  
16 withdrawals described in subsection F of this section to an account  
17 that is owned by the account owner. The account owner may also make  
18 transfers to an account that is owned by another person. If a  
19 change of beneficiary or transfer causes the total account balance  
20 for all accounts under the program for the new beneficiary to exceed  
21 the maximum account balance limit, the excess amount shall be  
22 rejected and returned to the account owner.

23       H. In the case of any nonqualified withdrawal from an account,  
24 an amount of not more than five percent (5%) of the proposed

1 withdrawal may be withheld as a penalty and paid to the Board for  
2 use in operating and marketing the program and for state student  
3 financial aid.

4 I. The Board may set the percentage of the penalty prescribed  
5 in subsection H of this section or change the basis of this penalty  
6 if the Board determines that establishing a penalty or raising an  
7 existing penalty is needed to discourage nonqualified withdrawals.

8 J. If an account owner makes a nonqualified withdrawal and no  
9 penalty amount is withheld pursuant to subsection H of this section  
10 or the amount withheld was less than the amount required to be  
11 withheld under that subsection for nonqualified withdrawals, the  
12 account owner shall pay the unpaid portion of the penalty to the  
13 Board on or before April 15 of the following tax year.

14 K. Each account for each designated beneficiary shall be  
15 maintained separately from each other account under the program.

16 L. Separate records and accounting shall be maintained for each  
17 account for each designated beneficiary.

18 M. Except as permitted by 26 U.S.C., Section 529 of the  
19 ~~Internal Revenue Code~~, no contributor to, account owner of, or  
20 designated beneficiary of any account may directly or indirectly  
21 direct the investment of any contributions to an account or the  
22 earnings from the account.

23 N. If the Board terminates the authority of a financial  
24 institution to hold accounts and accounts must be moved from that

1 financial institution to another financial institution, the Board  
2 shall select the financial institution and type of investment to  
3 which the balance of the account is moved unless the Internal  
4 Revenue Service provides guidance stating that allowing the account  
5 owner to select among several financial institutions that are then  
6 contractors would not cause a plan to cease to be a qualified state  
7 tuition plan.

8       O. Neither an account owner nor a designated beneficiary may  
9 use an interest in an account as security for a loan. Any pledge of  
10 an interest in an account is of no force and effect.

11       P. The Board shall adopt guidelines and procedures to prevent  
12 contributions on behalf of a designated beneficiary in excess of  
13 those necessary to pay the qualified higher education expenses of  
14 the designated beneficiaries. The guidelines may address the  
15 following:

16       1. Procedures for aggregating the total balances of multiple  
17 accounts in qualified state tuition programs established for a  
18 designated beneficiary;

19       2. The establishment of a maximum total balance that may be  
20 held in accounts for a designated beneficiary;

21       3. Requirements that persons who contribute to an account  
22 certify that to the best of their knowledge the balance in all  
23 qualified state tuition programs, as defined in 26 U.S.C., Section  
24 529 of the Internal Revenue Code, of which the designated

1     beneficiary is the designated beneficiary does not exceed the lesser  
2     of:  
3             a.    a maximum college savings amount established by the  
4                     Board from time to time, and  
5             b.    the cost in current dollars of qualified higher  
6                     education expenses that the contributor reasonably  
7                     anticipates the designated beneficiary will incur; and  
8             4.    Requirements that any excess balances with respect to a  
9     designated beneficiary be promptly withdrawn in a nonqualified  
10    withdrawal or transferred to another account of a family member or  
11    rolled over to another family member beneficiary in accordance with  
12    this section.

13             Q.    The financial institution(s) shall make all reports and  
14    informational returns as required by the Internal Revenue Service,  
15    the Oklahoma Tax Commission, and other pertinent federal and state  
16    laws and regulations.

17             R.    The program manager shall make such reports with respect to  
18    contributions, distributions, and other matters that the Board may  
19    require pursuant to federal and state law reporting requirements.  
20    The statement shall identify the contributions made during a  
21    preceding twelve-month period, the total contributions made through  
22    the end of the period, the value of the account as of the end of  
23    this period, distributions made during this period, and any other  
24    matters that the Board requires be reported to the account owner.

1       S. The State of Oklahoma, a local government of this state or  
2 organizations described in 26 U.S.C., Section 501(c)(3) ~~of the~~  
3 ~~Internal Revenue Code,~~ may open and become the account owner of an  
4 account to fund scholarships for persons whose identity will be  
5 determined after an account is opened. Accounts established  
6 pursuant to this section shall be exempt from the requirement that a  
7 beneficiary be designated when an account is opened. Each person  
8 who receives an interest in the account established pursuant to this  
9 section in the form of a scholarship shall be considered a  
10 designated beneficiary for the purposes of ~~this act~~ the Oklahoma  
11 College Savings Plan Act.

12 SECTION 2. This act shall become effective November 1, 2026.

13 COMMITTEE REPORT BY: COMMITTEE ON REVENUE AND TAXATION  
February 9, 2026 - DO PASS

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