

1 ENGROSSED SENATE
BILL NO. 1989

By: Nice of the Senate

2
3 and

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

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

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

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

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

21 2. Paying the one-time application fee established by the
22 Board;

23 3. Making the minimum contribution required by the Board or by
24 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.

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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 Passed the Senate the 19th day of February, 2026.

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Presiding Officer of the Senate

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17 Passed the House of Representatives the ____ day of _____,

18 2026.

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Presiding Officer of the House
of Representatives

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