

Act No. 171
Public Acts of 2024
Approved by the Governor
December 17, 2024
Filed with the Secretary of State
December 17, 2024
EFFECTIVE DATE: Sine Die
(91st day after final adjournment of the 2024 Regular Session)

**STATE OF MICHIGAN
102ND LEGISLATURE
REGULAR SESSION OF 2024**

Introduced by Senators Bayer, Shink and Geiss

ENROLLED SENATE BILL No. 1001

AN ACT to amend 1986 PA 316, entitled “An act to create the Michigan education trust; to prescribe the powers and duties of the trust and of its board of directors; to provide for advance tuition payment contracts; to establish an advance tuition payment fund and to provide for its administration; to provide for remedies; and to repeal certain acts and parts of acts on specific dates,” by amending sections 4 and 8 (MCL 390.1424 and 390.1428), section 8 as amended by 2004 PA 388.

The People of the State of Michigan enact:

Sec. 4. As used in this act, except where the context clearly requires otherwise:

- (a) “Advance tuition payment contract” means a contract entered into by the trust and a purchaser under section 6 to provide for the higher education of a qualified beneficiary.
- (b) “Board” means the board of directors of the Michigan education trust described in section 10.
- (c) “Fund” means the advance tuition payment fund created in section 9.
- (d) “Internal revenue code” means the United States internal revenue code of 1986 in effect on January 1, 2024 or, at the option of the taxpayer, in effect for the current year.
- (e) “Purchaser” means a person who makes or is obligated to make advance tuition payments under an advance tuition payment contract.
- (f) “Qualified beneficiary” means any resident of this state.
- (g) “State institution of higher education” means a college or university described in section 4, 5, or 6 of article VIII of the state constitution of 1963 or any 4-year degree-granting institution established by this state after December 23, 1986, which institution is designated by this state as a state institution of higher education for purposes of this act.
- (h) “Trust” means the Michigan education trust created in section 5.
- (i) “Tuition” means the quarter or semester charges imposed to attend a state institution of higher education and all mandatory fees required as a condition of enrollment as determined by the board.
- (j) “Weighted average tuition cost of state institutions of higher education” means the tuition cost arrived at by adding the products of the annual undergraduate tuition cost at each state institution of higher education and its total number of undergraduate fiscal year equated students, and then dividing the gross total of this cumulation by the total number of undergraduate fiscal year equated students attending state institutions of higher education.

Sec. 8. (1) An advance tuition payment contract must authorize a termination of the contract if any of the following occurs:

(a) The qualified beneficiary dies.

(b) The qualified beneficiary is not admitted to a state institution of higher education after making proper application.

(c) The qualified beneficiary certifies to the trust any of the following:

(i) That the qualified beneficiary has decided to attend and has been accepted by a Michigan independent, degree-granting institution of postsecondary education recognized by the state board of education.

(ii) That the qualified beneficiary has decided to attend and has been accepted by an eligible educational institution in this state. The trust shall cause any contract entered on or after January 1, 1988 to be amended as needed to comply with this subparagraph. As used in this subparagraph and subsection (3), "eligible educational institution" means that term as defined in section 529 of the internal revenue code.

(iii) That the qualified beneficiary has decided not to attend a state institution of higher education and requests, in writing, before July 15 of the year in which the qualified beneficiary desires to terminate the contract, that the advance tuition payment contract be terminated. This subparagraph applies only to a qualified beneficiary who has obtained a high school diploma or has reached the age of majority.

(d) Other circumstances, determined by the trust and set forth in the advance tuition payment contract, occur.

(2) Except as provided in section 7(2)(b) and (3)(b) and subsection (5), an advance tuition payment contract must provide for a refund if the contract is terminated, paid to a person to whom the refund is payable under the contract. All of the following apply to the refund described in this subsection:

(a) If the qualified beneficiary has a high school diploma or has reached the age of majority, and attends an institution of higher education, the amount of a refund, except as provided in subsection (4), is the lesser of the average tuition cost of all state institutions of higher education on the date of termination of the contract, or the face amount of the payment or payments and any accrued investment income attributable to the payment or payments, if the qualified beneficiary is covered by the first alternative described in section 7(5), or the lowest tuition cost of all state institutions of higher education on the date of termination of the contract if the qualified beneficiary is covered by the second alternative described in section 7(5) or does not attend an institution of higher education.

(b) The amount of a refund must be reduced by an appropriate percentage if the purchaser entered into an advance tuition payment contract that provided for a fixed number of credit hours less than the total number of credit hours required by a state institution of higher education for the awarding of a baccalaureate degree, by the amount transferred to a community or junior college on behalf of a qualified beneficiary if the contract is terminated as provided in section 6(4), and by the amount transferred to a state institution of higher education on behalf of a qualified beneficiary.

(c) The contract may provide that the trust may deny payment of a refund if the contract is terminated after the qualified beneficiary has completed more than 1/2 of the credit hours required by the state institution of higher education for the awarding of a baccalaureate degree. A contract provision denying a refund for more than halfway completion may be waived by the trust or amended by agreement of the trust and the purchaser as to any contract entered on or after January 1, 1988. This subdivision does not affect the termination and refund rights of a graduate of a community or junior college.

(d) Except as provided in subsection (3), the trust shall make full refund payments not later than August 15 of the year due. If the board determines that full refund payments under this subdivision would violate the actuarial soundness requirement under section 13, the trust may instead make refund payments in equal installments over 4 years not later than August 15 of each year.

(3) An advance tuition payment contract must authorize, or be amended as needed to authorize, a person, who is entitled under the advance tuition payment contract to terminate the contract, to direct payment of a refund to an independent degree-granting college or university located in this state, to a community or junior college located in this state, or to an eligible educational institution in this state. If directed to make payments under this subsection, the trust shall transfer to the designated institution an amount equal to the tuition due for the qualified beneficiary, but the trust shall not transfer a cumulative amount greater than the refund to which the person is entitled. If the refund exceeds the total amount of transfers directed to the designated institution, the excess must be returned to the person to whom the refund is otherwise payable.

(4) Notwithstanding any other provision of this act, the amount of a refund paid if an advance tuition payment contract is terminated by a person that directs the trust under subsection (3) to transfer the refund to an independent degree-granting college or university located in this state must not be less than the prevailing weighted average tuition cost of state institutions of higher education for the number of credit hours covered by

the contract on the date of termination. In calculating the amount of a refund for an advance payment contract containing the restrictions provided under section 7(5), the prevailing weighted average tuition cost must be based only on those state institutions of higher education at which the qualified beneficiary could have received sufficient credit hours for a baccalaureate degree.

(5) The trust may offer an advance tuition payment contract that does not provide for a refund under subsection (2) to a purchaser that is an individual, a state or local government agency or instrumentality, or a person exempt from taxation as an organization described in section 501(c)(3) of the internal revenue code, and that is purchasing the contract as part of a scholarship program. The price of a contract offered under this subsection must be established to reflect that the terms of the contract do not provide for a refund.



Secretary of the Senate



Clerk of the House of Representatives

Approved _____

Governor