START\_STATUTE15-1871.  Definitions

In this article, unless the context otherwise requires:

1.  "Account" means an individual trust account in the fund that is established as prescribed in this article.

2.  "Account owner" means the person who enters into a tuition savings agreement pursuant to this article, who is an account owner within the meaning of section 529 of the internal revenue code and who is designated at the time an account is opened as having the right to withdraw monies from the account before the account is disbursed to or for the benefit of the designated beneficiary.

3.  "Board" means the state board of investment.

4.  "Designated beneficiary" means a person who qualifies as a designated beneficiary under section 529 of the internal revenue code and, except as provided in section 15‑1875, subsections P and Q, with respect to an account, who is designated at the time the account is opened as the person whose qualified higher education expenses are expected to be paid from the account or, if this designated beneficiary is replaced in accordance with section 15‑1875, subsections D, E and F, the replacement beneficiary.

5.  "Eligible educational institution" means an institution of higher education that qualifies under section 529 of the internal revenue code as an eligible educational institution.

6.  "Financial institution" means the state treasurer's office or any bank, commercial bank, national bank, savings bank, savings and loan association, credit union, insurance company, brokerage firm or other similar entity that is authorized to do business in this state.

7.  "Fund" means AZ529, Arizona's education savings plan trust fund that constitutes a public instrumentality of this state and that is established by section 15‑1873.

8.  "Member of the family" means any of the following:

(a)  A son or daughter of a person or a descendant of the son or daughter of the person.

(b)  A stepson or stepdaughter of a person.

(c)  A brother, sister, stepbrother or stepsister of a person.  For the purposes of this subdivision, "brother" and "sister" includes a brother or sister by the half‑blood.

(d)  The father or mother of a person or the ancestor of the father or mother of a person.

(e)  A stepfather or stepmother of a person.

(f)  A son or daughter of a person's brother or sister.  For the purposes of this subdivision, "brother" and "sister" includes a brother or sister by the half‑blood.

(g)  A brother or sister of the person's father or mother.  For the purposes of this subdivision, "brother" and "sister" includes a brother or sister by the half‑blood.

(h)  A son‑in‑law, daughter‑in‑law, father‑in‑law, mother‑in‑law, brother‑in‑law or sister‑in‑law of a person.

(i)  The spouse of a person or the spouse of any individual described in this paragraph.

(j)  A first cousin of a person.

(k)  Any individual who meets the criteria for family membership described in this paragraph as a result of legal adoption.

9.  "Nonqualified withdrawal" means a withdrawal from an account other than one of the following:

(a)  A qualified withdrawal.

(b)  A withdrawal made as the result of the death or disability of the designated beneficiary of an account.

(c)  A withdrawal that is made on the account of a scholarship, or the allowance or payment described in section 135(d)(1)(B) or (C) of the internal revenue code, and that is received by the designated beneficiary, but only to the extent of the amount of this scholarship, allowance or payment.

(d)  A rollover or change of designated beneficiary.

10.  "Person" means an individual, an individual's legal representative or any other legal entity authorized to establish a savings account under section 529 of the internal revenue code and the corresponding regulations.

11.  "Plan" means AZ529, Arizona's education savings plan that is established under this article and that constitutes a qualified tuition program as defined in section 529 of the internal revenue code.

12.  "Qualified higher education expenses":

(a)  Means:

(i)  Tuition, fees, books, supplies, room and board and equipment required for a designated beneficiary to enroll at or attend an eligible educational institution.

(ii)  Expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with enrolling or attending, if these expenses meet the definition of qualified higher education expenses in section 529 of the internal revenue code.

(iii)  Expenses to purchase a computer, peripheral equipment, computer software or internet access and related services if the computer equipment, software or services are to be used primarily by the beneficiary during the years the beneficiary is enrolled at an eligible educational institution and if these expenses meet the definition of qualified higher education expenses in section 529 of the internal revenue code.

(iv)  Expenses for fees, books, supplies and equipment required for a designated beneficiary to participate in an apprenticeship program that is registered and certified with the United States secretary of labor under section 1 of the national apprenticeship act (50 Stat. 664; 29 United States Code section 50) if these expenses meet the definition of qualified higher education expenses in section 529 of the internal revenue code.

(b)  Includes tuition to enroll in or attend an elementary or secondary public, private or religious school pursuant to section 529 of the internal revenue code.

(c)  Includes amounts paid as principal or interest on any qualified education loan as defined in section 221(d) of the internal revenue code of the designated beneficiary or a brother, sister, stepbrother or stepsister of the designated beneficiary pursuant to section 529 of the internal revenue code.

13.  "Qualified withdrawal" means a withdrawal from an account to pay any of the following:

(a)  The qualified higher education expenses of the designated beneficiary of the account, but only if the withdrawal is made in accordance with this article.

(b)  Tuition of less than $10,000 to enroll in or attend an elementary or secondary public, private or religious school pursuant to section 529 of the internal revenue code of the designated beneficiary of the account, but only if the withdrawal is made in accordance with this article.

(c)  Amounts paid as principal or interest on any qualified education loan as defined in section 221(d) of the internal revenue code of the designated beneficiary or a brother, sister, stepbrother or stepsister of the designated beneficiary, but only if the withdrawal is made in accordance with this article. The amount of qualified withdrawals under this article with respect to the loans of any designated beneficiary or a brother, sister, stepbrother or stepsister of the designated beneficiary may not exceed $10,000, reduced by the amount of withdrawals so treated for all prior taxable years.

14.  "Section 529 of the internal revenue code" means section 529 of the internal revenue code of 1986, as amended, and the final regulations issued pursuant to that section.

15.  "Treasurer" means the state treasurer.

16.  "Trust interest" means an account owner's interest in the fund created by a tuition savings agreement for the benefit of a designated beneficiary.

17.  "Tuition savings agreement" means an agreement between the board, as trustee of the fund, and an account owner that creates an interest in the fund and that provides for participation in the plan. END\_STATUTE