

# 2017 Kansas Investments Developing Scholars (K.I.D.S.) Matching Grant Program Description



## Background

The K.I.D.S. matching grant program was created by K.S.A. 75-650 as a part of the Learning Quest 529 Education Savings Program administered by the State Treasurer for Kansas residents with incomes below 200% of the federal poverty level. The regulations for the program can be found at K.A.R. 3-4-1 through 3-4-7. When you (the Learning Quest Account Owner) enroll your beneficiary (the student who is the participant) in the K.I.D.S. program, the state will match the first \$600 that you contribute to your Learning Quest account during 2017. You must contribute at least \$100 this year to be eligible. Applications are processed on a first come-first served basis and must be postmarked or received by fax no later than December 31, 2017. The matching grant funds must be used to fund your beneficiary's qualified higher education expenses. The program is limited to 1,200 participants with 300 from each of Kansas' four Congressional Districts.

## Handbook Variations

This *Program Description* contains variations to your *Learning Quest Handbook* that address how your account will be registered and how withdrawals will be handled. All the other terms in your *Learning Quest Handbook* that are not addressed in this *Program Description* will apply to your K.I.D.S. program contribution account. These differences ensure that the matching grant funds are used only for the beneficiary's qualified higher education expenses and that only the eligible K.I.D.S. program account owner can have an ownership interest in the account.

## Eligibility

An eligible account owner must be a resident of the state of Kansas and live in a household with a total 2016 Federal Adjusted Gross Income for all members of the household that is less than the amount listed below:

Persons in Family or Household	1	2	3	4	5	6	7	8	For each additional person, add
Income Below	\$24,120	\$32,480	\$40,840	\$49,200	\$57,560	\$65,920	\$74,280	\$82,640	\$8,360

This number will be adjusted each year to equal 200% of the federal poverty guidelines. Your household is defined by K.A.R. 3-4-1 as all persons related by birth, marriage or adoption who share your residence.

**Each Learning Quest Account Owner must apply each year for the matching grant using the total household income from the previous tax year regardless if you have been approved in the past.** Applications are processed on a first come first served basis. You do not need to provide a copy of your income tax return with your application. We will confirm your 2016 Federal Adjusted Gross income reported on your application with the Kansas Department of Revenue to determine your eligibility in the program. Once approved, you will receive a written confirmation in the mail.

Each participant (the designated beneficiary for your Learning Quest account) may receive only one matching grant per year, up to \$600, but there is no limit to the number of participants from the same household that can be eligible participants. Because one matching grant is awarded to each beneficiary, if you change the beneficiary for your Contribution account, the entire match will be forfeited. This rule will be applied to all K.I.D.S. accounts with the same unique account owner/beneficiary combination enrolled in the program in 2010 and after. If your beneficiary was enrolled in the K.I.D.S. program prior to 2010, this will change the rules for your account. The Learning Quest Account Owner cannot be a minor or claimed as the dependent on someone else's federal income tax return.

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## Account Setup

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To open a Learning Quest account you must contribute at least \$25 as a one-time contribution or set up a recurring contribution from your bank account or paycheck. (See the *Learning Quest Application* for instructions for establishing a recurring contribution.) Once your contributions reach \$100, you'll be entitled to the matching grant.

Once you are approved to participate in the K.I.D.S. program for the current year, we will open two Learning Quest accounts based on the *Learning Quest Application* you submit along with the *K.I.D.S. Program Application*. The first Learning Quest account will be registered as your "Contribution Account," and it will hold your grant-eligible contributions. The second account will be registered as your "Match Account," and it will hold the matching grant funds that you will receive each January from the state of Kansas. The beneficiary that you designate and the investment portfolio that you select on the *Learning Quest Application* will be used for both accounts. You may change the investment option, but the changes will be applied to both accounts. The account owner for either account cannot be changed without the approval of the State Treasurer. The Treasurer may approve a change to another eligible account owner at any time. In the case of your divorce, death or if you become incapacitated, the Treasurer may approve a change to any individual.

Once you have contributed the maximum grant eligible amount of \$600 in a calendar year, any additional contributions will be invested in a separate unrestricted account registered identically to your Contribution Account.

## Joint Account Owners

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If your Learning Quest account has joint account owners, each individual must be eligible to receive the matching grant. Joint owners who live in separate households will each need to submit their respective household income information to determine eligibility. Individuals who file a joint income tax return are not required to apply as joint account owners.

## Eligible Contributions

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Contributions must be from the income eligible account owner(s). Contributions from third parties and through third party gifting websites, such as Ugift, earnings from rewards programs, such as Upromise, and rollovers from 529 plans sponsored by other states are not match-eligible. These contributions will be placed in a separate unrestricted account in your name for the beneficiary.

## How the Match Occurs

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In January, the Treasurer's Office will review contributions made during the prior year through December 31, by account owners who have been approved, to determine the amount of matching grant funds that you are eligible to receive. To receive the matching grant funds, you must contribute a minimum of \$100 per year. Match contributions will be made equal to your contributions up to \$600 per year and will be completed no later than January 31 of the following year. **If you take a withdrawal from your Contribution account, you will not receive a matching grant for contributions to any account for the same designated beneficiary during the same year.**



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## Qualified Withdrawals of the Matching Grant Funds

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To make a withdrawal from your Match Account, you will have to provide documentation to the Treasurer's Office that the beneficiary has incurred qualified higher education expenses at any college, university, community college or technical school that is accredited to receive federal financial aid. See the Learning Quest Handbook for more information on "Qualified Higher Education Expenses" and "Eligible Educational Institutions." You can either submit receipts for expenses that you have paid or submit a bill from the eligible institution if you are requesting a check made payable to the institution. Qualified withdrawals will be processed by withdrawing 50% of the requested amount from your Contribution Account and 50% from your Match Account. This will ensure that your money and the state's money are spent equally to pay for the beneficiary's qualified expenses. **If you take a withdrawal from your contribution account, you will not receive a matching grant for contributions to any account for the same designated beneficiary during the same year.** Requests for withdrawals must be submitted in writing on the *KIDS Withdrawal Form* that can be obtained from the Treasurer's Office, American Century Investments or at [learningquest.com](http://learningquest.com).

## Nonqualified Withdrawals from the Contribution Account

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At any time, you can request a nonqualified withdrawal from your Contribution Account, but you will forfeit an equal amount from your Match Account. Additionally, you will not receive a matching grant for contributions to any account for the same designated beneficiary during the same year. The balance in your Match Account will be treated as earnings for the purpose of calculating the earnings portion of a non-qualified withdrawal from any account for the same beneficiary. The earnings portion of a non-qualified withdrawal is subject to federal and state taxation and a 10% federal penalty tax. Requests for withdrawals must be submitted in writing on the *KIDS Withdrawal Form* that can be obtained from the Treasurer's Office. **You will not be allowed to make a non-qualified withdrawal from your Match account.**

## Rollovers to Other 529 Plans

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If you request a rollover to another 529 plan from your Contribution account, you will forfeit an equal amount from the Match account. If you roll over the entire balance in your Contribution account, then the entire Match account will be forfeited back to the state.

## Tax Issues

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It is our belief that the state's contribution to your Match Account will not be treated as income to you due to the restrictions we have placed on Match Account. We will treat the balance in your Match Account as earnings when reporting your contributions and earnings on *IRS Form 1099Q* when a withdrawal is made from any account for the same designated beneficiary. This means that if you make a nonqualified withdrawal from any account for the same designated beneficiary, the amount of the matching grant and any earnings in the Match Account will be used to determine the earnings portion of the withdrawal that is subject to state and federal taxation and the federal 10% penalty tax. We have not received a confirmation of this understanding from the Internal Revenue Service, and we encourage you to consult a tax advisor about the taxability of the matching grant.

## Contact Information

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If you have questions about the K.I.D.S. program, you can contact the Treasurer's Office at 1-866-504-5898 or by email at [LQ@treasurer.state.ks.us](mailto:LQ@treasurer.state.ks.us) or contact American Century Investments at 1-800-579-2203.

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# 2017 Kansas Investments Developing Scholars (K.I.D.S.) Program Application



Use this application to apply for the state of Kansas' higher education savings matching grant program.

- Complete and mail, with this form, a Learning Quest Account Application for **EACH** beneficiary listed in Step 1 that doesn't already have a Learning Quest account.
- Make sure to list **ALL** members of your household related by marriage or birth in Step 3, including children, even if their income is \$0.
- Your K.I.D.S. Application must be postmarked or received by fax by **December 31, 2017**. Contributions must also be postmarked or made online by **December 31, 2017**.
- All taxpayers listed in Step 3 must sign the Disclosure Authorization form.
- If you have questions, please contact the Treasurer's Office at 1-866-504-5898 or by email at LQ@treasurer.state.ks.us or call American Century Investments at 1-800-579-2203.
- Print clearly, preferably in capital letters and black ink. Mail the forms to the address below. Do not staple.

Return this form and any other required documents to:	<b>Fax: 1-617-559-8901</b>
<b>Learning Quest</b> <b>P.O. Box 29202</b> <b>Shawnee Mission, KS 66201- 9202</b>	For overnight delivery or registered mail, send to: <b>Learning Quest</b> <b>920 Main Street, Suite 900</b> <b>Kansas City, MO 64105</b>

## 1 Participant (Beneficiary) Information

List the beneficiary(s) whose education expenses will be paid from the account(s). You may list more than one beneficiary if their accounts are owned by the same Account Owner(s). Include the Learning Quest Account number for each beneficiary that already has a Learning Quest Account. We will move any eligible current year contributions to your new K.I.D.S. Contribution Account(s). We will also move your recurring contributions or Payroll Deduction, if applicable, to the new account.

Mr./Mrs./Ms.	Beneficiary's first name	Middle initial	Beneficiary's last name
Beneficiary's U.S. Social Security number		Current Learning Quest Account number	

Mr./Mrs./Ms.	Beneficiary's first name	Middle initial	Beneficiary's last name
Beneficiary's U.S. Social Security number		Current Learning Quest Account number	

Mr./Mrs./Ms.	Beneficiary's first name	Middle initial	Beneficiary's last name
Beneficiary's U.S. Social Security number		Current Learning Quest Account number	

Mr./Mrs./Ms.	Beneficiary's first name	Middle initial	Beneficiary's last name
Beneficiary's U.S. Social Security number		Current Learning Quest Account number	

Mr./Mrs./Ms.	Beneficiary's first name	Middle initial	Beneficiary's last name
Beneficiary's U.S. Social Security number		Current Learning Quest Account number	

**2**

**Account Owner Information**

List the individual(s) who will be the Account Owner(s) of the Learning Quest Account(s). If you list more than one person, each person must meet the eligibility requirements of the K.I.D.S. Program.

\_\_\_\_\_
Mr./Mrs./Ms. Account Owner's first name Middle initial Account Owner's last name

\_\_\_\_\_
Account Owner's U.S. Social Security number

\_\_\_\_\_
Account Owner's street address Apartment/Unit

\_\_\_\_\_
City State ZIP

\_\_\_\_\_
Congressional District Email address

\_\_\_\_\_
Telephone number (daytime) Telephone number (evening)

\_\_\_\_\_
Mr./Mrs./Ms. Joint Account Owner's first name Middle initial Joint Account Owner's last name

\_\_\_\_\_
Joint Account Owner's U.S. Social Security number

\_\_\_\_\_
Joint Account Owner's street address Apartment/Unit

\_\_\_\_\_
City State ZIP

### 3 Household Members

Please list below all individuals, including children, related by marriage or birth living in the household along with the Federal Adjusted Gross Income from their 2016 income tax return, (including if it was zero).

If you are providing Federal Adjusted Gross Income from a joint tax return, please enter the full income amount next to the taxpayer's name and enter \$0 for the other taxpayer.

If the joint Account Owner resides in a household different than the Account Owner, please provide a separate sheet with the Federal Adjusted Gross Income for members of the joint Account Owner's household.

**All Account Owners, household members and children must be listed below.**

_____	\$ _____
Account Owner's name	Adjusted gross income
_____	\$ _____
Household member's name	Adjusted gross income
_____	\$ _____
Household member's name	Adjusted gross income
_____	\$ _____
Household member's name	Adjusted gross income
_____	\$ _____
Household member's name	Adjusted gross income
_____	\$ _____
Household member's name	Adjusted gross income
_____	\$ _____
Household member's name	Adjusted gross income
	\$ _____
<b>Total</b>	Adjusted gross income

### 4 Signature(s)

Each Account Owner must sign the *K.I.D.S. Program Application*. Each taxpayer must sign the *Disclosure Authorization Form* on Page 4.

**By signing this application, the undersigned certify that all the information contained herein is accurate and that the undersigned has read and understood the K.I.D.S. Program Description.**

_____	_____
Account Owner's signature	Date
_____	_____
Joint Account Owner's signature	Date

**For Official Use Only**

_____	_____
Approved by	Date

## 5 Disclosure Authorization Form

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I hereby authorize the Kansas Department of Revenue to confirm the amount of my Federal Adjusted Gross Income from my 2016 Kansas Income Tax Return with the Kansas State Treasurer's Office for the purpose of my participation in the Kansas Investments Developing Scholars Program.

\_\_\_\_\_ | \_\_\_\_\_  
**Account Owner's name (Please print)** | **Date**

\_\_\_\_\_ | \_\_\_\_\_  
**Taxpayer's signature** | **Social Security number**

\_\_\_\_\_ | \_\_\_\_\_  
**Joint Taxpayer's signature (if any)** | **Social Security number**

\_\_\_\_\_ | \_\_\_\_\_  
**Signature of additional taxpayer residing in household** | **Social Security number**

\_\_\_\_\_ | \_\_\_\_\_  
**Signature of additional taxpayer residing in household** | **Social Security number**