

**CHAPTER 177****( HB 306 )**

AN ACT relating to STABLE Kentucky accounts.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 164A IS CREATED TO READ AS FOLLOWS:

- (1) *As used in this section, "STABLE Kentucky account" means an account established by or for the benefit of an eligible individual, as that term is defined by 26 U.S.C. sec. 529A, and established and maintained by the Commonwealth of Kentucky or pursuant to any agreement between the Commonwealth and any other state.*
- (2) *A STABLE Kentucky Account and any investment income earned on a STABLE Kentucky Account shall be exempt from all taxation by the Commonwealth of Kentucky or any of its political subdivisions.*
- (3) *Distributions from a STABLE Kentucky Account shall not be subject to Kentucky income tax if the distributions are for qualified disability expenses as defined by 26 U.S.C. sec. 529A.*
  - (a) *A rollover of funds from one STABLE Kentucky Account to another STABLE Kentucky Account or to an account established under 26 U.S.C. sec. 529 shall not be treated as a distribution so long as:*
    1. *The funds are being transferred into an account for:*
      - a. *The same eligible individual; or*
      - b. *An eligible individual who is a member of the same household; and*
    2. *The amount is paid into the new account within sixty (60) days of being removed from the original account.*
  - (b) *Any change in the designated beneficiary of a STABLE Kentucky Account shall not be treated as a distribution for purposes of taxation so long as the new beneficiary is a member of the same household.*

**Signed by Governor April 26, 2018.**