

529 plan and new Indiana tax credit

A 529 plan is a tax-advantaged savings plan designed to encourage saving for future college costs. 529 plans, legally known as “qualified tuition plans,” are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code. The detailed behavior of 529 plans are determined by state legislation, and while most plans allow investors from out of state, there can be significant state tax advantages and other benefits, such as matching grant and scholarship opportunities, protection from creditors and exemption from state financial aid calculations, for investors who invest in 529 plans within their state of residence.

In the following text, we explain how 529 plan is related to your tuition and fees by taking CollegeChoice investment plan for example.

Who can contribute?

Anyone over age 18 can open a CollegeChoice account, regardless of income level. Parents can invest for their children, grandparents for their grandchildren, aunts and uncles for their nieces and nephews. Any adult can open an account for any beneficiary. Beneficiary must have a Social Security number.

The CollegeChoice 529 Investment Plan allows you to invest a little or a lot – the choice is yours. You can establish an account with just \$50 and gradually build it with monthly investments of \$25 or more. More than one person can contribute to the same account until total contributions reach \$298,770. After that, the account may continue to grow higher through investment earnings only. This amount may increase in the future to reflect rising college costs.

Who can be a beneficiary?

Any person of any age can be named as beneficiary of a CollegeChoice account. As account owner, you can select a child, adult or even yourself as beneficiary. Your account can remain open for an unlimited period of time to provide funds for a loved one who chooses to attend college later in life. Or, if a beneficiary decides not to attend college, you can name another member of the beneficiary's family as beneficiary.

Withdrawals are free from state and federal taxes for Indiana residents when used for qualified higher education expenses. Non-qualified withdrawals are subject to income tax and an additional 10% federal tax on earnings.

Effective January 1, 2007, Indiana taxpayers making contributions to CollegeChoice are eligible to receive a 20% state tax credit, up to a maximum of \$1,000, on their contributions. For example, if you're an Indiana taxpayer, and you make an annual contribution of \$5,000 to your CollegeChoice account, you will receive

the **maximum annual tax credit of \$1,000**. It is important to note that this is a tax credit; not a tax deduction offered by most 529 plans.

*CollegeChoice 529 Investment Plan[®] is a registered trademark of JPMorgan Chase & Co. CollegeChoice 529 Investment Plan is sponsored by the Indiana Education Savings Authority and distributed by JPMorgan Distribution Services, Inc., a subsidiary of JPMorgan Chase & Co. Other affiliates of JPMorgan Chase & Co. receive fees for services to the Plan. State tax laws may vary in the treatment of 529 plans. Please review this aspect carefully before choosing a 529 plan. **Before investing in a 529 plan, investors should carefully consider whether their home state offers any state tax or other benefits that are only available for investments in their state's 529 college savings plan. Investors should also consider the investment objectives and risks of the CollegeChoice 529 Investment Plan before investing.***

(reference: <https://www.collegechoiceplan.com/ccp/ccp.jsp?p=About+CollegeChoice/CollegeChoice+Q%26A>)

For more information:

About 529 plan

- http://en.wikipedia.org/wiki/529_plan
- <http://www.sec.gov/investor/pubs/intro529.htm>

529-plan provider in Indiana State

- <https://www.collegechoiceplan.com/ccp/ccp.jsp>

Q&A of new Indiana tax credit

- <https://www.collegechoiceplan.com/pdfs/other/529-QA-TAXCREDIT.PDF>