



# STARTING LINE

*News from START, Louisiana's tax-advantaged 529 college savings program*

## 2005 Louisiana Legislature amends START program; increases tax benefits

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uthored by Sen. Ben Nevers and passed during the Regular Session of the 2005 Louisiana Legislature, Act 292 amends the Student Tuition Assistance and Revenue Trust (START) Saving Program to: a)

Allow married couples who file a joint Louisiana income tax return to double the amount of their START deposits that may be exempted from taxable state income; b) Allow benefactors who donate to START accounts for needy children to double their exemptions from state taxable income; c) Exempt certain lump sum deposits from the state gift tax; and, d) Allow owners to direct disbursements to certain recipients.

### **Married Couples**

Deposits made into a START account by a married couple who file a joint state income tax return will be exempt from inclusion in the owners' state taxable income up to a maximum of \$4,800 per beneficiary per taxable year. If a married couple filing jointly makes deposits of less than the maximum \$4,800 per year, the difference between the total deposits and the \$4,800 will be rolled over to the next year, and will be added to the \$4,800 exemption for that year.

### **Benefactor's Donations**

For tax years beginning on and after Jan. 1, 2005, benefactors who donate to an account for an unrelated beneficiary whose family's reported federal adjusted gross income was less than

\$30,000, or for an unrelated beneficiary who was entitled to a free lunch under the Richard B. Russell National School Act, may deduct twice the amount deposited from the benefactor's taxable state income up to a maximum donation of \$2,400 per account owned per tax year. If an account owner deposits less than the maximum \$2,400 per account per year, the account owner may roll over the difference between the total deposits to an account and \$2,400 to subsequent years. The amount rolled over will be added to the \$2,400 thereby increasing the amount of deposits qualifying for the double exclusion from the owner's taxable state income.

### **State Gift Tax**

Contributions to START accounts are treated as completed gifts to the beneficiary for purposes of state and federal gift taxes. Under federal gift tax law, account owners may make a lump sum deposit up to five times the annual federal gift tax exclusion (currently \$11,000 per account per year or \$55,000) and then exclude the lump sum gift from gift taxes during the next five years. Starting with the 2005 tax year, the Louisiana gift tax law allows the same lump sum gift deposit to a START account. Once the maximum gift has been made, additional deposits during the five year period will be subject to state and federal gift taxes.

### **Owner-Directed Disbursements**

The account owner may direct the disbursement of funds deposited in a START account to the account owner, beneficiary and/or postsecondary institution. To qualify as a tax exempt disbursement, the funds must be used for qualified higher education expenses.

# U.S. lawmakers consider making permanent federal tax exemption for Section 529 plans

**T**wo bills affecting Louisiana's Student Tuition Assistance and Revenue Trust (START) Saving Program are under consideration by the U.S. Congress (one in the Senate and one in the House of Representatives), each designed to make permanent the federal tax-exempt status of Section 529 qualified tuition programs.

House Resolution (HR) 2386 – authored by U.S. Reps. Melissa Hart (PA) and Earl Pomery (ND), and Senate Bill (S) 1112 – authored by U.S. Sens. Charles Grassley (IA) and Max Baucus (MT), are both designed to eliminate the sunset provision to the Economic Growth and Tax Relief Reconciliation Act of 2001 that will cut tax benefits for college savings plans starting Jan. 1, 2011, unless Congress takes action.

In 2001, Congress enacted reforms that provided tax-free treatment for distributions from an Internal Revenue Service (IRS) Section 529 Qualified Tuition Program, when used by a beneficiary for qualified higher education expenses. However, provisions built-in to the legislation ensured that the boon to investors would expire in 2011.

“More than 7 million children are enrolled in one of these college savings plans,” Grassley said. “It would be a shame to pull the rug out from under them.”

Baucus said, “Families need to be able to plan for the future rather than worry about the tax treatment of their college saving plan.”

According to Hart, the cost of attending college is rising at annual rates well above inflation, and it is more important than ever for families to save for their children's college education early.

“By removing the sunset from these invaluable programs, we are ensuring that families will not be penalized for making the sacrifice of saving now toward sending their children to college,” Hart said.

“The time to make the Section 529 tax-exemption permanent is now,” Pomery said.

All 50 states and the District of Columbia have a qualified tuition program in operation. More than 7 million children across the country have been enrolled in a plan, representing more than \$67 billion dedicated for future college costs. The mission of these plans is to increase access to higher education by offering families an affordable and dedicated means to save for college.

At press time, HR 2386 had been referred to the House Committee on Ways and Means, and S 1112 had been referred to the Senate Committee on Finance. If you wish to voice your opinion on these bills, please contact Louisiana's congressional delegation, as follows:

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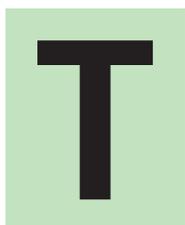
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# START Saving Program nets two gold “Addy” awards in advertising campaign



The Student Tuition Assistance and Revenue Trust (START) Saving Program’s broadcast media campaign garnered top awards for 2005 at the Advertising Federation of Greater Baton Rouge’s (AFGBR) annual awards ceremony.

Two “GOLD ADDY” award plaques were presented to the Louisiana Tuition Trust Authority (LATTA) in recognition of the achievements.

The plaques represent first-place wins in separate divisions of the Television Consumer Services-Regional/National category.

The START commercial entitled “BabyMint” netted first place in the Single Spots division.

In addition, a START campaign consisting of three spot commercials won first place in the TV Campaigns division.

Local advertising and public relations firm XDESIGN, INC. created both of the winning entries for START.

“We are very pleased to receive such high honors from the AFGBR,” said Louisiana Office of Student Financial Assistance (LOSFA) Public Information and Communications Director Gus Wales, who managed the START advertising efforts.

The AFGBR is the local chapter of the American Advertising Federation (AAF), which is headquartered in Washington, D.C. The AAF is the trade association that represents 50,000 professionals in the advertising industry.

## From the desk of Carol Fulco



*START Director Carol Fulco (right) prepares notes for account owners.*

As part of a continuing effort to provide Student Tuition Assistance and Revenue Trust (START) account owners with user-friendly procedures, an online deposit slip was made available for download on Aug. 1.

The deposit slip is located under the “forms” menu on the START Web site located at [www.startsaving.la.gov](http://www.startsaving.la.gov). New

account owners will receive a deposit slip in their application approval packet.

By including a deposit slip with each contribution to a START account, owners can help expedite the processing of their payment.

Effective Aug. 1, the Maximum Allowable Account Balance for START accounts will be \$218,535.

To schedule a START presentation for your church group, business or civic organization, please contact the START office toll-free at (800) 259-5626, Ext. 1012.

## NOTICE TO ACCOUNT OWNERS

In the interest of online security, Social Security Numbers are no longer used for START accounts. When a new application is received, the START programming system randomly generates an account number and assigns it to the owner. This account number — not the beneficiary's or owner's Social Security Number — must be recorded on all payments and correspondence concerning the account.

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