529 College Savings Plans

Wisconsin 529 Legislative Update

There are many advantages to contributing to a qualified tuition program (QTP) or 529 Plan: income tax advantages, estate and gift tax benefits, availability and flexibility, investment benefits, and various state and federal tax benefits. A 529 Plan can be established by any U.S. taxpayer and used at almost any accredited post-secondary school in the U.S. There are no income or age limits for eligible participants or beneficiaries. The 529 assets are held outside of your estate, but you retain full control of your account, helping to ensure that funds are used for higher education purposes.

Two identical bills (SB389 and AB491) to enhance Wisconsin's 529 College Savings Plans: *EdVest* and *TOMORROW'S SCHOLAR 529 Plan* recently passed by unanimous vote in both the Wisconsin state Senate and Assembly. Governor Scott Walker is expected to sign the changes into law any day now making it easier for families and friends to save for the important goal of higher education.

Highlights of the Wisconsin 529 Legislation

- Unlimited carry-forward of excess contributions for future deductions
- Anyone who contributes to an account for the benefit of any beneficiary is eligible for the Wisconsin state income tax deduction of up to $3,000 per beneficiary. You do not have to be related to the beneficiary to claim the deduction for your contributions.
- Annual indexing of the maximum deduction to inflation
- The contribution deadline is extended to April 15 of the next year for the prior year's deduction
- Clear protection of accounts from attack or claim by creditors
- Recapture of deductions taken after January 1, 2014 for amounts not spent on qualified higher educational expenses and on rollovers to an out-of-state plan
- These statutes apply to taxable years beginning on January 1, 2014 and are not retroactive for 2013 contributions

NOTE: If you don't pay for qualified higher education expenses in the same calendar year as you make a withdrawal, the earnings portion of that withdrawal will be subject to income tax and an additional 10% penalty tax.

Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.

Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through an out-of-state plan. Robert W. Baird & Co. does not provide tax advice. Before investing in any state's 529 plan you should consult your tax adviser.