

RESOLUTION

To Support Legislation that would Provide 529 Plan Participants with a Longer Period of time to take Distributions for Qualified Higher Education Expenses

- WHEREAS,** Section 529 Qualified Tuition Programs promote the critical public policy goal of encouraging families to plan and save for higher education expenses; and
- WHEREAS,** Section 529 of the Internal Revenue Code is silent regarding any time limitations for taking distributions from a section 529 account for Qualified Higher Education Expenses; and
- WHEREAS,** In January 2008, the Internal Revenue Service and the Treasury Department proposed to adopt a rule that, in order for earnings to be excluded from income, any distribution from a section 529 account during a calendar year must be used to pay Qualified Higher Education Expenses during the same calendar year or by March 31 of the following year; and
- WHEREAS,** Since January 2008, many current 529 plan participants have experienced a decrease in the value of assets in their account due to market volatility and wish to manage account distributions to allow for potential recovery of asset value; and
- WHEREAS,** The need to allow participants to better manage distributions during this period of market volatility must be balanced against concerns that individuals could allow an account to grow indefinitely on a tax-deferred basis before requesting distributions; and
- WHEREAS,** The “tax-free” treatment of Section 529 plan earnings has encouraged a record number of parents to start saving for their children’s college expenses, accumulating assets in these programs nationwide that have grown from \$13 billion in 2001 to more than \$100 billion today.

NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers and its affiliated College Savings Plans Network urges the Congress of the United States to enact legislation that would allow account holders to have up to two tax years following the tax year in which Qualified Higher Education Expenses are incurred to take a distribution from a 529 account for Qualified Higher Education Expenses incurred during tax years 2008 through 2010; and to have up to one tax year following the tax year in which Qualified Higher Education Expenses are incurred to take a distribution from a 529 account for Qualified Higher Education Expenses during tax years 2011 and beyond.

Approved this 29th Day of May, 2009 by
The National Association of State Treasurers



Honorable Jeb Spaulding,
NAST President and Vermont State Treasurer