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FROM THE LOUISIANA OFFICE OF STUDENT FINANCIAL ASSISTANCE

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President Makes Federal Tax Exemption on Withdrawals from Louisiana's START Saving Program Permanent When Used To Pay Higher Education Expenses

President George W. Bush today signed into law recent congressional legislation making permanent several key tax savings provisions in Section 529 plans, including Louisiana's Student Tuition Assistance and Revenue Trust (START) Saving Program, as part of the 2006 Pension Protection Act (H.R.4). Section 529 earnings are now permanently excluded for taxation and state-imposed penalties on non-qualified distributions are permanently eliminated. This means that for people who will withdraw money from their START account to pay for their children's college education on or after January 1, 2011, the distributions from the plans will continue to be tax exempt as they are currently.

"Making the federal tax exemption on START permanent is great news for families already participating in the program and for those who are considering the state's 529 plan for college savings", said Louisiana State Treasurer John Kennedy. "The new law eliminates a major source of uncertainty for families who did not know if they would be able to keep their federal tax benefits beyond 2011. Now that the tax benefits are clearly defined, even more families will be encouraged to save for college using the START program which, for Louisiana residents, is the best savings vehicle for college."

The National Association of State Treasurers (NAST) and the College Savings Plans Network (CSPN) have been working for the past decade to clarify the federal tax treatment of these plans. "We have been encouraging Congress for many years to recognize the need

to provide families with the certainty that the tax advantages of 529 plans will be there when they send their children to college,” said Kennedy.

All 50 states and the District of Columbia have a Section 529 plan in operation. More than 9 million children across the country have been enrolled in a plan, representing more than \$90 billion. The mission of the states in the development and implementation of these plans is to increase access to higher education by offering families a simple, safe, affordable and dedicated way to save for college tuition and other college expenses.

“When you consider the additional state tax benefits and state matching contributions provided by the START Saving Program, Louisiana residents cannot obtain a more desirable package of benefits through any other 529 Plan or any other type of college savings instrument,” said Louisiana Tuition Trust Authority Chairman F. Travis Lavigne, Jr.

The Louisiana Legislature created START in 1995, and the state first started taking deposits in 1997. The program has experienced tremendous growth since then. In 1998, the program had just over 2,000 accounts and \$1.4 million in total deposits. Today, the program has grown to roughly 21,000 accounts and more than \$107 million in total deposits. Total assets for the program are closer to \$111 million when you include state matching funds (earnings enhancements). To date, the program has disbursed \$ 9.3 million to students attending college.

START account owners can save for a child’s college education using six different options including fixed income investments, equity investments or a combination of both. The State Treasury manages the program’s investments in government notes and bonds, and The Vanguard Group manages mutual fund investments. START account owners can move their invested funds between options once each calendar year. START’s fixed income investments earned a rate of return of 3.64 percent this past fiscal year, and equity fund investments earned rates of return up to 9.88 percent depending on the investment option.

An additional advantage of START allows investors to deduct up to \$2,400 in deposits per account per year from income reported on their state tax returns. The deduction is \$4,800 for taxpayers who are married filing jointly. If the full deduction is not taken in one year, the unused portion can be carried forward to subsequent years.

For more information or to open a START account for your child, click “START” on the Louisiana Department of the Treasury’s website at www.latreasury.com. You can also find out more about START by calling the Louisiana Office of Student Financial Assistance toll-free at 1-800-259-5626, extension 1012, or by visiting the START website at www.startsaving.la.gov.

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