

RESOLUTION

To Support Legislation or Policy that would clarify for 529 Plan Participants the period of time by which 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, Previously, 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 incurred during the same calendar year or by March 31 of the following year; and

WHEREAS, 529 plan participants may experience a decrease in the value of assets in their account due to market volatility and may 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 periods 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 \$319 billion today.

NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers and its affiliated College Savings Plans Network urge the enactment of federal law or policy that would allow account holders to have two years following the tax year in which Qualified Higher Education Expenses are incurred to take a tax-free distribution from a 529 account for Qualified Higher Education Expenses incurred during the first

two years after the effective date of the legislation or policy; and then to have one year following the tax year in which Qualified Higher Education Expenses are incurred to take a tax-free distribution from a 529 account for Qualified Higher Education Expenses for each subsequent year.

Approved this 1st Day of October 2018, by the
National Association of State Treasurers

A handwritten signature in black ink that reads "Elizabeth Pearce". The signature is written in a cursive style with a large, looping initial "E".

Hon. Beth Pearce
NAST President &
Vermont State Treasurer

Approved in 2012.

Renewed in 2015 and 2018.