



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

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Federal Tax Benefits of 529 College Savings Plans To Be Made Permanent

Nappier Says Good News from Washington, Along with Connecticut's New Income Tax Deduction, Make 2006 a Great Time to Save for College with CHET

(Hartford) - State Treasurer Denise L. Nappier said that federal action, set to be finalized tomorrow, which makes permanent the federal tax advantages of 529 college savings plans, including CHET, Connecticut's college savings program, is good news for Connecticut families.

Nappier, who had advocated to make the federal tax exemption for 529 plans permanent, a feature that was set to expire after 2010, said "there has never been a better time for Connecticut families to start saving for college."

"Now families with young children can invest in a 529 plan without the fear of losing the benefit of federal tax-free withdrawals before their child reaches college," said Nappier. "With the costs of higher education rising exponentially, families need all the help they can get when it comes to saving for college."

Treasurer Nappier is the administrator for CHET, Connecticut's 529 College Savings Program, which currently has \$700 million in assets and more than 50,000 accounts. Since taking office, Nappier has made sweeping changes to the CHET program, making it more affordable and accessible for Connecticut families. Improvements in recent months include the addition of two new investment options, lowered fees and a tax deduction for Connecticut taxpayers who contribute to CHET.

"The federal tax exemption for 529 college savings plans is an important incentive for working families which allows them to save more toward their children's education," said Nappier. "Coupled with the new state tax deduction, enacted earlier this year, as well as lower fees and more investment choices, CHET can help Connecticut families save for college as never before."

CHET is a higher education savings program, known as a Section 529 plan, named for its section in the Internal Revenue Code. Funds may be used to pay for qualified higher education expenses, including tuition, fees, room and board and other eligible costs. CHET is administered by the State Treasurer's Office and managed by TIAA-

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CREF, Tuition Financing Inc., and is designed to offer investors a tax-advantaged way to save and invest for higher education.

529 plans like CHET allow investments to grow free of federal tax and can be withdrawn tax-free provided the funds are used for educational expenses. When the plans were first created a decade ago, a clause in the legislation would have ended its federal tax-free status at the end of 2010. A provision of the pension bill approved by Congress earlier this month and signed into law today makes the federal tax exemption on earnings permanent.

Connecticut's 529 plan, CHET, also grows free of state tax. In addition, a recent law championed by Treasurer Nappier now allows Connecticut taxpayers to claim an income tax deduction on contributions to CHET accounts.

Treasurer Nappier emphasized that CHET is not just for parents, but that other relatives and friends can open accounts for a child. There are no income limits for participating in CHET and funds may be used at any eligible higher education institution in the United States and some abroad.

For more information on CHET visit www.aboutchet.com or call 1-888-799-CHET (2438).