



EXPANSION OF MISSOURI 529 PLAN BENEFITS

Many Americans contribute to tuition savings programs exempt from income tax under Section 529 of the Internal Revenue Code (hereinafter referred to singularly as a “529 Plan”). 529 Plan contributions grow free from Federal and state income tax, and are distributed tax-free when used to pay for higher education costs. On July 10, 2008, Missouri Governor Matt Blunt signed Senate Bill No. 863 (“SB 863”) into law, which expands 529 Plan benefits and options available to Missouri taxpayers.

MISSOURI TAX DEDUCTION:

Prior to SB 863, Missouri taxpayers were able to deduct up to \$8,000 per year for contributions made to Missouri 529 Plans. A married couple filing a joint return could deduct up to \$16,000 if each spouse separately contributed \$8,000. SB 863 eliminates the requirement that each spouse makes a separate contri-

bution to maximize the deduction. Joint filers can now maximize the \$16,000 deduction without regard to which spouse actually made the contribution.

NON-MISSOURI PLANS:

SB 863 expands the Missouri tax deduction to include contributions to non-Missouri 529 Plans. Taxpayers now have the option of selecting a non-Missouri 529 Plan and still claiming the Missouri tax deduction. This gives Missouri taxpayers the flexibility of contributing to 529 Plans with different expense and investment alternatives.

FINANCIAL AID DETERMINATIONS:

SB 863 also provides that assets held in 529 Plans are no longer considered in determining a participant’s eligibility for financial assistance under a Missouri student aid program.

The above changes apply to all tax years beginning on or after January 1, 2008. For more information, please contact an attorney in the Armstrong Teasdale Tax Department:

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