

H551 ADMINISTRATIVE CODE UPDATES

Christine Stoll: Executive Director



IDEal:

- Idaho's state sponsored 529 college savings program
 - 2000: added to Idaho code IDAPA: 33-5401 - 33-5410
 - 2001 opened to the public

Purpose:

- To help individuals and families save for education in a tax-advantaged way.



Program administration

- Self-sustaining, receives **no general fund** monies.
- 2.5 local staff.
- The State College Savings Program Board is comprised of Idaho’s constitutional officers or their designees.

Constitutional Officer	Designee	Title	Since
State Treasurer Julie Ellsworth	Board Chair	State Treasurer	2019
Governor Brad Little	Greg Wilson	Senior Policy Advisor – Education	2019
State Controller Brandon Woolf	Patrick Hodges	Deputy State Controller	2016
Attorney General Lawrence Wasden	Brian Kane	Assistant Chief Deputy Attorney General	2008
Superintendent of Public Instruction Sherrri Ybarra	Tim Hill	Deputy Superintendent, Finance	2003
Secretary of State Lawrence Denney	Chad Houck	Deputy Secretary of State	2018

Fast Facts

- Program assets total over **\$553 million**
- **38,789** active beneficiary accounts
- Average balance per account is **\$14K**
- **+23% increase in assets** from 2018 to 2019
- **\$2.6 million** in gifts from loved ones **+17%** in 2019
- **\$80 million** in **family contributions** in 2019
- **\$4 million** withdrawn **for K-12 tuition**
- **\$44 million** withdrawn **for higher education**
- **\$25** to open an account
- Use funds **anywhere** in the country



Tax deduction

Only IDEal 529 offers Idaho taxpayers an Idaho State tax deduction!

- Up to \$6,000 annually for single filers
- Up to \$12,000 annually for married couples filing jointly*

*Contributions to the IDEal - Idaho College Savings Program are tax deductible from Idaho State income tax, subject to recapture in certain circumstances such as a non-qualified withdrawal or a roll-over to another state's qualified tuition program in the year of the rollover and the prior tax year.



ideal
IDAHO
SAVINGS

Saving for college as a family?

Any Idaho taxpayer can take a state tax deduction for IDEal contributions, including multiple contributors to the same account.

Qualified expenses = tax-free withdrawals

Federal and State income tax-free if used for qualified withdrawals to eligible higher education* and related to services to be used by the beneficiary while enrolled.



Public & private colleges / universities, 2 & 4 year programs, vocational and foreign schools

Tuition, fees, certain room & board, books, required supplies

Computers, peripherals, software, internet access

K-12 public, private and religious school tuition only

Student loan repayment

*Earnings on nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes. * K-12 tuition withdrawals allowed as of January 1, 2018 (up to 10K per child, per year only). Student loan repayment limited to an aggregate of \$10,000 over the lifetime for each beneficiary.



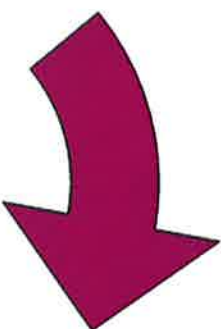
Idaho's 529 participation rate: 0-18yrs old

IDEAL + 60% Goal

Increase participation in Idaho's college savings program to help transform the postsecondary attainment culture in Idaho

School name	Total IDEAL \$ sent to school
Top psec schools IDEAL sent \$ in 2019	
Boise State University	\$ 1,186,092.92
University of Idaho	\$ 937,753.20
University of Utah	\$ 443,096.75
College Of Idaho	\$ 343,508.37
University of Washington	\$ 225,375.00
Carroll College	\$ 214,005.71
Whitman College	\$ 213,901.67
Gonzaga University	\$ 211,012.70
Colorado State University	\$ 194,550.44
University of Oregon	\$ 190,669.30
Idaho State University	\$ 182,960.92
University of Colorado Boulder	\$ 164,664.14
Westminster College	\$ 163,668.00

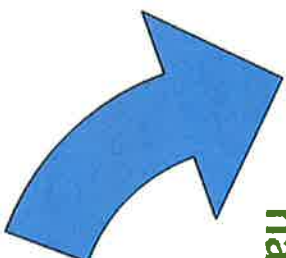
471,656
Idaho kids
aged 0-18



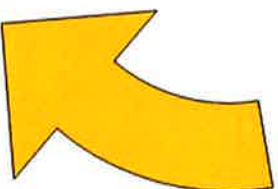
24,675 Idaho
students 0-18
with
accounts

5.23%

have accounts



Big opportunity
to change the
culture with
IDEAL 529
accounts

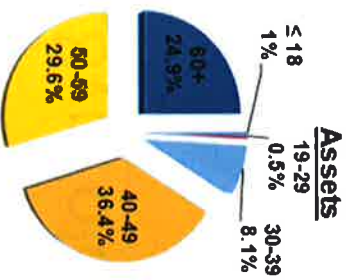
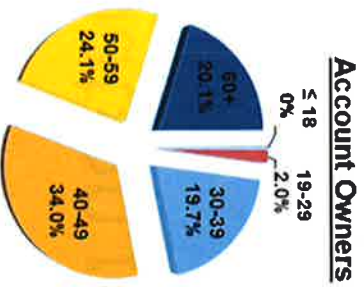




Who is saving?

Account Owners: Age and Asset Distribution – Funded Accounts

Age	Account Owners Q4 2019	Assets Q4 2019	Average Assets Per Account Owner
≤ 18	38	\$2,858,624.79	\$75,226.97
19-29	397	\$2,573,475.22	\$6,482.31
30-39	3,902	\$44,851,354.98	\$11,494.45
40-49	6,738	\$203,044,263.78	\$30,134.20
50-59	4,778	\$164,819,033.98	\$34,495.40
60+	3,978	\$138,991,557.84	\$34,940.06
TOTAL	19,831	\$557,138,310.60	\$28,094.31

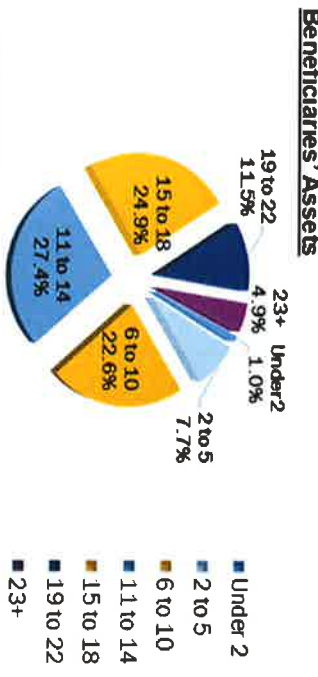
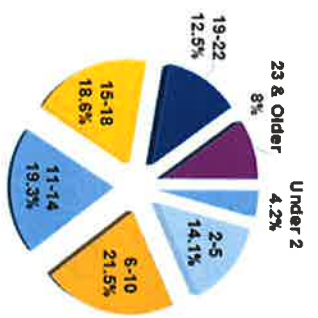


Who are they saving for?



Beneficiary: Age and Asset Distribution – Funded Accounts

Age	Beneficiaries Q4 2019	Assets Q4 2019	Average Assets Per Beneficiary
Under 2	1,550	\$5,440,205.98	\$3,509.81
2-5	5,211	\$36,987,770.21	\$7,098.02
6-10	7,956	\$101,044,853.55	\$12,700.46
11-14	7,146	\$137,509,534.57	\$19,242.87
15-18	6,888	\$164,460,619.16	\$23,876.40
19-22	4,620	\$76,470,634.82	\$16,552.09
23+	3,645	\$35,224,692.31	\$9,663.84
TOTAL	37,016	\$557,138,310.60	\$15,051.28



Funded accounts only



What are they saving for?



Withdrawals for K-12
2018-19

+2.5%

• 2018
\$2.3M

• 2019
\$4M

• 2017
\$354K

• 2018

K-12

- 949 accounts
- \$4 million

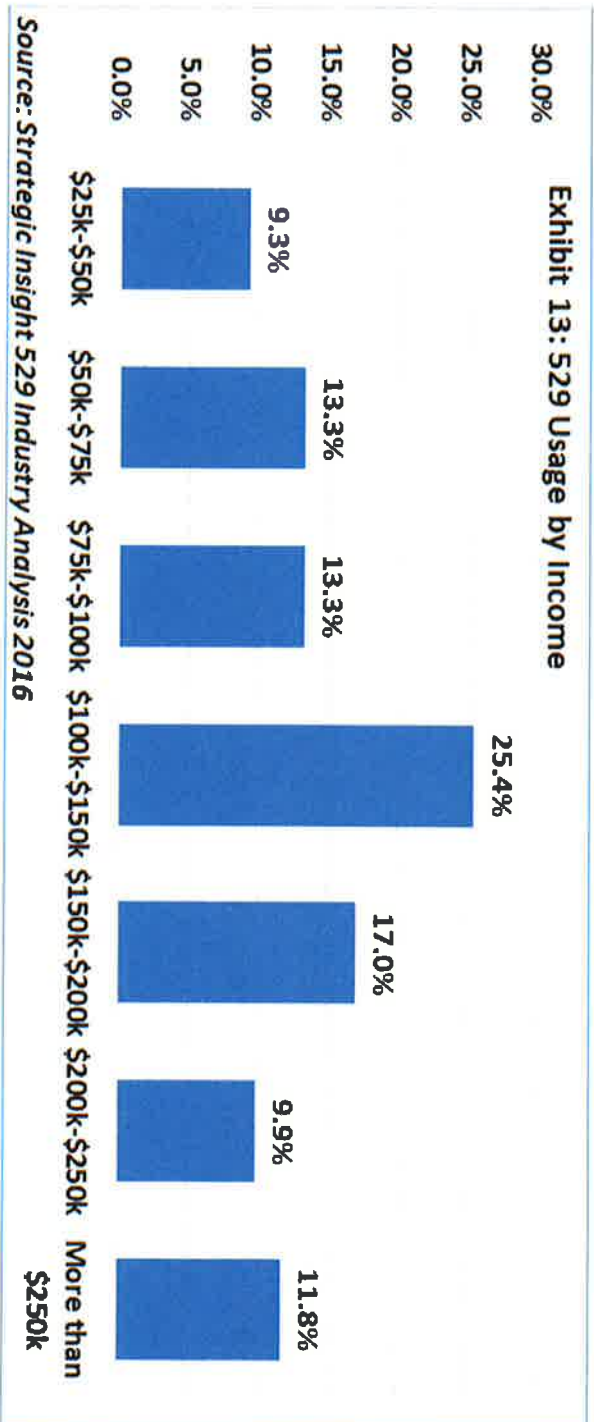
Higher Ed

- 4,731 accounts
- \$44.29 million

School Name	Total Ideal \$ sent to in '19
Riverstone International School	\$ 53,735.00
Nampa Christian Schools	\$ 47,103.00
St. Joseph's Catholic School	\$ 37,263.00
Grace Lutheran School	\$ 29,765.00
St. Mark's Catholic School	\$ 18,700.00
Cole Valley Christian School	\$ 17,972.00
Greenleaf Friends Academy	\$ 14,506.00
Montessori Academy	\$ 14,203.00
The Ambrose School	\$ 13,258.00
Lighthouse Christian School	\$ 10,589.00
Smart Tuition	\$ 10,298.00
Foothills School Of Arts & Scie	\$ 10,000.00
Hyde School	\$ 10,000.00
Pioneer Montessori School	\$ 10,000.00
Rainier Christian Schools	\$ 9,556.00

529 accounts are for all families!

National 529 Income Demographics



Over 60%
make less
than \$150K

H551 Details



CLEAN UP

H551: Administrative update of Ideal's code sections

33-5401, 33-5404, 33-5405.

- 33-5401- revising the definition of a nonqualified withdrawal.
- 33-5404- general administrative code cleanup.
- 33-5405- general administrative code clean up. related to taxation to the beneficiary.



Helpful 529 details

Post Tax funds: All 529 funds are contributed with after tax monies.

Nonqualified withdrawal: when 529 funds are disbursed for reasons other than paying for a qualified educational expense.

Taxes on nonqualified withdrawals: 10% additional federal tax on growth portion of withdrawal + federal and state income tax on growth portion.

- Idaho recaptures previously taken tax deductions on nonqualified withdrawals.

Exemptions from the “additional federal tax”: The IRS code provides exemptions from the additional 10% tax for certain nonqualified withdrawals.



33-5401, Section 8: Definition of a nonqualified withdrawal

Section (8) of this legislation amends Idaho Code section 33-5401 to update the definition of a nonqualified withdrawal by referring back to the federal code. This allows for the various changes and exemptions that occur from time-to-time when the federal 529 law is modified and or IRS law specifies an exemption.

The current 33-5401 code has attempted to list the various exemptions. Over time this has become confusing and exemptions listed outside of the specific federal (26 U.S.C section 529 code) have been missed.

Example: treatment of withdrawals due to military academy scholarship.

- Federal 529 law allows:
 - withdrawal of funds equal to the amount of a scholarship or cost of attendance that is waived by the institution or academy. The Federal 10% penalty is waived and taxes are due on the growth portion of the investment only.
- Idaho 529 law:
 - Idaho does not recognize this type of withdrawal as qualified and therefore the withdrawal is subject to state taxes on the entire amount.



Federal vs. state tax: U.S military academy scholarship

	Federal 529 law	Current Idaho 529 law: 54-5401
Penalty	10% on earnings portion of nonqualified withdrawal waived.	NA- Idaho does not have this penalty.
Taxes	Earnings portion of withdrawal are taxed at the persons ordinary federal income tax level.	Full amount of withdrawal is taxed at person's ordinary state income tax level.
Proposed	Same as above.	Growth portion of withdrawal is taxed at person's ordinary state income tax level.

Fiscal note

Fiscal Impact:

The fiscal impact of this legislation is limited to the tax treatment of withdrawals when a beneficiary receives a U.S military academy scholarship.

The difference between taxing the full withdrawal and the growth portion of the withdrawal is estimated to be between **\$943** and **\$2,452** per year.



33-5401 Section (12)

33-5401. Section (12) general wording cleanup.



33-5404, Sections (1)(4)

33-5404, Section (1). Allows the Board to determine if minors may open accounts. *At this time the Board does not allow this.*

33-5404, Section (4). Removes the statutory requirement for a rule in this area and recognizes and refers to the federally required securities disclosure statement as the official terms of the Program.

33-5404, (7). General wording cleanup.

33-5404, (13). Removes the statutory requirement for a rule in this area and recognizes and refers to the federally required securities disclosure statement as the official terms of the Program.



33-5405 Taxation to Beneficiary

33-5405: General wording clean up and correction.

- Federal law indicates that withdrawals can only be made by Account Owners.
- Beneficiaries are not able to withdrawal 529 funds per federal law.
- Beneficiaries would be liable for taxes ONLY if they received the proceeds of a nonqualified withdrawal taken by the Account Owner.



Questions?

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