2020 Edition

UNDERSTANDING

STATE TAX DEDUCTIONS

What you need to know about 529 tax benefits

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

This material is to support interest in the Scholars Choice Program.
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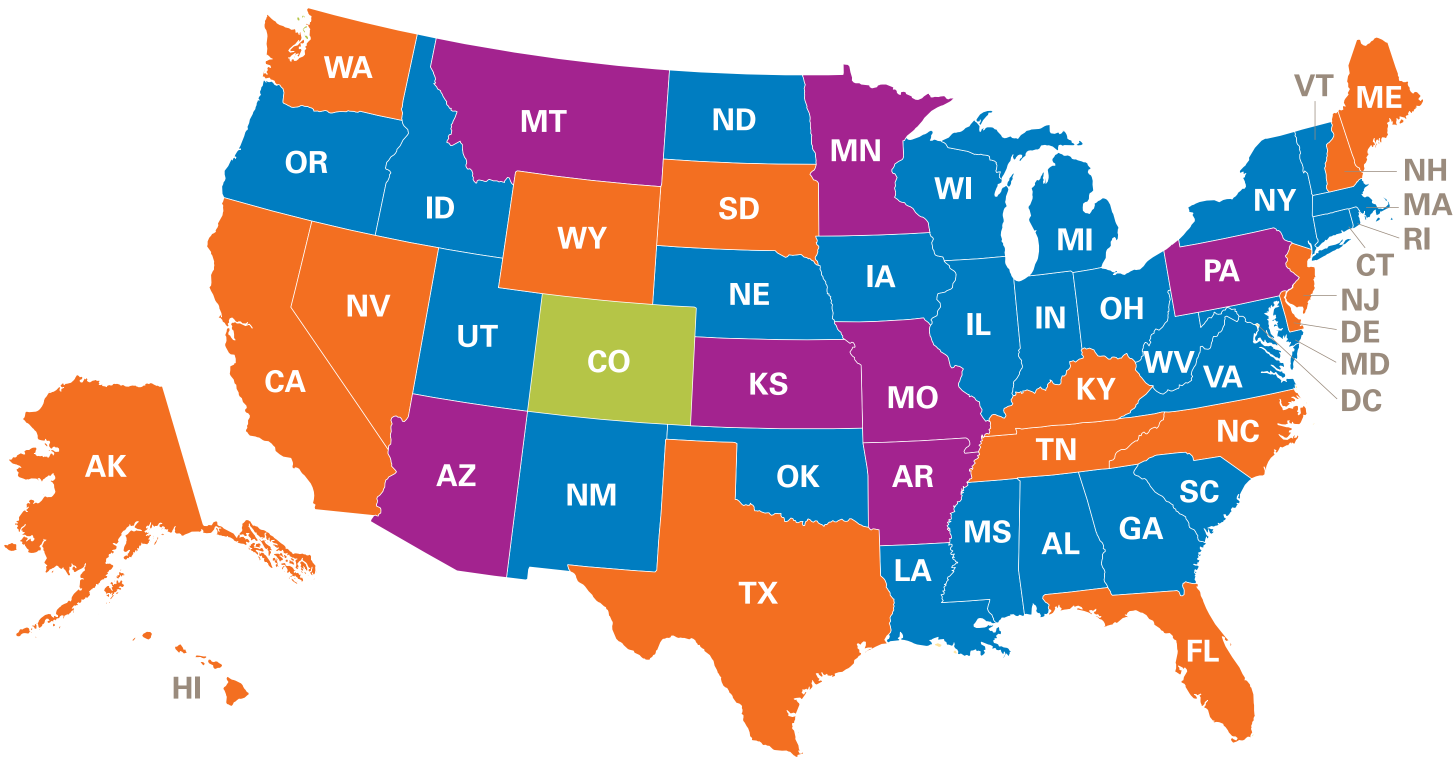
529 TAX BENEFITS BY STATE



Colorado

This is the home state of the Scholars Choice® College Savings Program. Colorado state taxpayers enjoy an annual state income tax deduction to the extent of the contributor's Colorado taxable income for that year for contributions to a Colorado 529 plan.

Tax parity states

These states offer residents a state income tax deduction for contributions made to any other state's 529 plan: Arizona, Arkansas[1], Kansas, Minnesota, Missouri, Montana and Pennsylvania.

Tax neutral states

These states offer no state income tax deduction for contributions: Alaska, California, Delaware, Florida, Hawaii, Kentucky, Maine, Nevada, New Hampshire, New Jersey, North Carolina, South Dakota, Tennessee, Texas, Washington and Wyoming.

States with tax considerations

These states offer state income tax deductions if certain criteria are met. Please see the reverse side for a list of states and details on state income tax deductibility.

Restrictions and limitations apply. Please seek guidance from a tax or financial professional.

Tax Considerations

State	Maximum annual in-state tax deduction limit - 2020[2]	Deduction eligibility	Carry forward[3]
COLORADO	Fully deductible up to the Colorado taxpayer's taxable income	Per taxpayer per beneficiary	
ARIZONA	$2,000 (I) $4,000 (J)	Per taxpayer	
ARKANSAS	AR Plans: $5,000 (I) $10,000 (J) Non-AR Plans: $3,000 (I) $6,000 (J)[1]	Per taxpayer	4 years
KANSAS	$3,000 (I) $6,000 (J)	Per taxpayer per beneficiary	
MINNESOTA	$1,500 (I) $3,000 (J) or opt for non-refundable tax credit of half contributions up to $500[4]	Deduction eligibility per taxpayer	
MISSOURI	$8,000 (I) $16,000 (J)	Per taxpayer[5]	
MONTANA	$3,000 (I) $6,000 (J)	Per account owner[6]	
PENNSYLVANIA	$15,000 (I) $30,000 (J)	Per taxpayer per beneficiary	
ALABAMA	$5,000 (I) $10,000 (J)	Per taxpayer	
CONNECTICUT	$5,000 (I) $10,000 (J)	Per taxpayer	5 years
DIST. OF COLUMBIA	$4,000 (I) $8,000 (J)	Per account owner	5 years
GEORGIA	$4,000(I) $8,000 (J)	Per beneficiary	
IDAHO	$6,000 (I) $12,000 (J)	Per taxpayer	
ILLINOIS	$10,000 (I) $20,000 (J)	Per taxpayer	
INDIANA	20% tax credit on contributions of up to $5,000 (Maximum yearly credit is $1,000)	Per taxpayer	
IOWA	$3,439 (I) $6,878 (J) for 2020; adjusted annually for inflation	Per account owner per beneficiary	
LOUISIANA	$2,400 (I) $4,800 (J)[7]	Per taxpayer per beneficiary	Unlimited with an "active account"
MARYLAND	$2,500 (I) 5,000 (J)	Per taxpayer per beneficiary	10 years
MASSACHUSETTS	$1,000 (I) $2,000 (J)	Per taxpayer	
MICHIGAN	$5,000 (I) $10,000 (J)[8]	Per taxpayer	
MISSISSIPPI	$10,000 (I) $20,000 (J)	Per taxpayer	
NEBRASKA	$10,000 (I & J) $5,000 if married filing separately	Per account owner[5]	
NEW MEXICO	Fully deductible	Per taxpayer	
NEW YORK	$5,000 (I) $10,000 (J)	Per account owner[5]	
NORTH DAKOTA	$5,000 (I) $10,000 (J)	Per taxpayer	
OHIO	$4,000 (I & J)	Per beneficiary	Unlimited
OKLAHOMA	$10,000 (I) $20,000 (J)	Per taxpayer	5 years
OREGON	Eligible for a state tax credit up to $150 (I) $300 (J)[9]	Per taxpayer	
RHODE ISLAND	$500 (I) $1,000 (J)	Per taxpayer	Unlimited
SOUTH CAROLINA	Fully deductible	Per taxpayer	
UTAH	5% tax credit on contributions up to $2040 (I) $4080 (J) Maximum credit is $102 (I) $204 (J), adjusted annually for inflation	Per taxpayer per beneficiary[10]	
VERMONT	10% tax credit on contributions up to $2,500 (I) $5,000 (J) Maximum credit is $250 (I) $500 (J)	Per taxpayer per beneficiary	
VIRGINIA	$4,000 (I & J) Fully deductible for account owners age 70 and older	Per account owner[11]	Unlimited
WEST VIRGINIA	Fully deductible	Per taxpayer per beneficiary	5 years
WISCONSIN	$3,280 (I & J) $1,640 if married filing separately, adjusted annually for inflation	Per taxpayer per beneficiary	Unlimited

Important information CT, CO, DC, GA, IN, KS, MI, MO, PA, RI: "Rollover in" (from another qualified 529 program) is not deductible. IL, VT, WI: Only principal portion of "rollover in" is deductible. AL: Qualified withdrawals from non-AL plans are not excluded from AL state tax. AR, CO, IL, KS, LA, ME, ND, NJ, NV, PA, RI, TN, WV: Other monetary incentives exist, including grants. Review Program Disclosure Statement.

I = Filing Individually, J = Filing Jointly

1 Note: While Arkansas is not a so-called "Tax Parity" state, to the extent a full state tax deduction cannot be taken for contributions to a non-Arkansas sponsored 529 Plan, Arkansas taxpayers can still take a partial deduction for a contribution to the Scholars Choice 529 Plan. Speak with your financial professional for details.

2 In-state tax deduction may be subject to recapture on nonqualified withdrawals and/or outbound rollovers in subsequent years.

3 Carry forward - Some states allow taxpayers who contribute above the annual in-state tax deduction limit to apply the contribution to future state income tax returns. This allows the taxpayer to derive the full benefit of the in-state tax deduction in subsequent years.

4 A tax credit equal to 50% of the contributions to accounts, reduced by any withdrawals, may be claimed with a maximum credit amount of up to $500 subject to phase-out starting at adjustable gross income of $75,000 (single filer). Only one tax benefit can be claimed in a given tax year.

5 Contributions deductible only if made by the account owner.

6 Only contributions made by the account owner, the account owner's spouse, or the account owner's custodian/parent are deductible.

7 Double deductions of up to $4,800 may be claimed for an account opened for an eligible needy, nonrelated beneficiary.

8 Contributions are reduced by qualified withdrawals during the year for purposes of determining the amount that may be deducted.

9 The amount the taxpayer must contribute to get the full credit increases based on the taxpayer's income. The tax credit went into effect on January 1, 2020, replacing the state income tax deduction. The deduction was allowed for contributions to an Oregon 529 plan of up to $2,435 by an individual, and up to $4,865 by a married couple filing jointly in computing Oregon taxable income, with a four-year carry forward of excess contributions. For account owners taking advantage or planning to take advantage of the carry forward, this option remains available through December 31, 2019. Account owners are able to carry forward the unused subtraction over the following four years. The new tax credit would be in addition to any carried forward deductions.

10 Contributions by a non-account owner are creditable by the account owner.

11 Contributions by a non-account owner are deductible by the account owner.

Sources: Legg Mason and Savingforcollege.com, January 2020

About CollegeInvest collegeinvest.org

CollegeInvest is a not-for-profit division of the Colorado Department of Higher Education, and a trusted resource providing 529 college savings plans, financial education and scholarships for higher education.

Where can I find more information?

Visit www.scholars-choice.com.

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