

WI College Saving Plans - §529 Plans

What is a §529 plan you may ask? This is a WI college savings plan that allows you to save for the future expenses of either yourself or your children. As the costs of education continue to rise, this is a good way to put money away and even get a tax benefit out of it.

There are two college savings plans in Wisconsin. The first plan is EdVest. The second plan is Tomorrow's Scholar. An individual, trust, legal guardian, or eligible entity may establish a college savings account to cover tuition, fees, and the costs of room and board, books, supplies, and equipment required for the enrollment or attendance of a beneficiary at an eligible educational institution. The earnings in an EdVest account may be exempt from state tax.

There are a few advantages to a college savings account. The deadline to make a contribution is extended to on or before the 15th day of the 4th month beginning after the close of the taxable year to which the subtraction relates. The subtraction is expanded to include a contribution made by the owner of the account or any other individual authorized by the owner of the account for the benefit of any beneficiary of the account. A deduction to the extent of WI taxable income is allowed up to a maximum amount of \$3,100 for the tax year 2015 per student. This deduction is taken on the WI Schedule CS. As there are no income limits for this deduction, the deduction is ideal for the high income tax payer. A contribution that exceeds the maximum allowable subtraction amount may be carried forward to the next taxable year and taxable years thereafter. Note that there is no limit on the amount contributed. The carryover does not apply to an amount that was withdrawn from an account for any purpose and the withdrawal happened within 365 days of the contribution.

One of the things that the owner of the college savings account needs to be aware of is the consequences if a withdrawal is made from the account. No carryover that would otherwise be authorized will be allowed if the carryover amount was withdrawn from an account for any purpose and the withdrawal happened within 365 days of the contribution date. Also, any carryover amount that is otherwise eligible for a subtraction will be reduced by an amount equal to the amount of a withdrawal from an account that was not used for qualified higher education expenses to the extent that the withdrawn amount exceeds the amount added to income. There is a 10% penalty imposed for nonqualified distributions. However, this penalty is waived if the distribution is due to the death or disability of the beneficiary or if a scholarship or nontaxable grant is awarded to the beneficiary.

It is fairly easy to get started with a college savings account in Wisconsin. All one has to do is go to the websites of EdVest and Tomorrow's Scholar and create an account or talk to your investment advisor. Both of these types of plans have different types of plans depending on the age category of the child that the account is intended for.

If someone is looking to fund their child's college but not sure how to do it in a lump sum, these types of plans would be a great way to do just that. The best part about it is there is a deduction available on the WI tax return. Call Gordon J. Maier today to discuss the different options and to see if a college savings plan is right for you.