

New York State Department of Taxation and Finance
Office of Tax Policy Analysis
Technical Services Division

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Income Tax
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College Choice Tuition Savings Program

On October 4, 2000, Governor George E. Pataki signed into law Chapter 535 of the Laws of 2000. This Chapter, in part, amends the addition and subtraction modifications under sections 612 (b)(34) and (c)(32) of the personal income tax law in relation to the tax treatment of contributions and withdrawals made under the College Choice Tuition Savings Program.

Effective for tax years beginning on or after January 1, 2000, the legislation provides that:

! Married couples who file joint returns are now allowed to deduct, for New York State income tax purposes, up to a total of \$10,000 in contributions made to one or more accounts owned by either spouse, regardless of which spouse made the contributions. Previously, joint filers had to open separate accounts and each spouse had to contribute \$5,000 to his or her account to receive the maximum deduction of \$10,000.

! Withdrawals made due to the death or disability of the beneficiary of the account are now exempt from New York State income tax.

! The New York State tax on distributions used for nonqualified purposes will apply only to that portion of nonqualified distributions attributable to contributions that the taxpayer deducted in computing his or her New York State tax. Previously, the entire distribution, including amounts attributable to contributions in excess of the maximum allowable New York deduction, was subject to tax.

Qualified withdrawals (i.e., withdrawals used for the higher education of the designated beneficiary) remain tax exempt for New York State tax purposes.

For additional information regarding the College Choice Tuition Savings Program, call toll free 1-877-NYSAVES, or access the internet at www.nysaves.org