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## Important Notice

November 17, 2000

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### **Form IT-201 and IT-203 Filers Revised Instructions for Lines 21 and 28 Regarding the College Choice Tuition Savings Program Modifications**

On October 4, 2000, Governor George E. Pataki signed into law Chapter 535 of the Laws of 2000. This Chapter, in part, amends the personal income tax in relation to the tax treatment of contributions and withdrawals made under the College Choice Tuition Savings Program.

Effective for the 2000 tax year, 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.

Since this legislation was pending at the time the 2000 personal income tax forms and instructions were printed, the College Choice Tuition Savings Program addition and subtraction modifications found in the 2000 instructions for Forms IT-201 and IT-203 do not reflect the changes made by this legislation. Accordingly, please refer to the revised instructions below in preparing your 2000 New York State return.

Use the following instructions to determine the amount (if any) to include on lines 21 and 28 of Form IT-201 or Form IT-203.

- **Line 21 - Addition A-22, College tuition savings excess distributions** - If you made a nonqualified withdrawal from a New York State college choice tuition program account, **then** include the amount from line g of the worksheet below on line 21.

A withdrawal is nonqualified if the funds are used for purposes other than the higher education of the designated beneficiary. However, nonqualified withdrawals do not include any withdrawals made in tax year 2000 as a result of the death or disability of the designated beneficiary, regardless of how the funds are used.

Include on lines a) through g) of the worksheet below the applicable amounts from all existing accounts of which you are the account owner. Do not include amounts applicable to accounts that were closed in a prior taxable year. If you are filing a joint return, include the applicable amounts from all existing accounts of which you and your spouse are the account owners.

Note: You must compute your line 28, subtraction S-26 for 2000, using the instructions provided below, before completing this worksheet.

### Worksheet

- |   |          |
|---|----------|
| a) Total current and prior years' nonqualified withdrawals from your account(s)   | a) _____ |
| b) Total current and prior years' contributions to your account(s)  | b) _____ |
| c) Total current and prior years' S-26 subtraction modifications*   | c) _____ |
| d) Subtract line c from line b  | d) _____ |
| e) Total prior years' A-23 addition modifications**   | e) _____ |
| f) Add lines d and e  | f) _____ |
| g) Subtract line f from line a. This is your current year A-22 addition modification. Enter on Form IT-201 or Form IT-203, line 21. If line g is 0 (zero) or less, there is no addback. | g) _____ |

\*These amounts are included in line 28 of your 1998, 1999 and 2000 Form IT-201 or IT-203.

\*\*These amounts are included in line 21 of your 1998 and 1999 Form IT-201 or IT-203.

You should retain this worksheet with your tax return.

- **Line 28 - Subtraction S-26, College tuition savings deduction** - If you made contributions as the account owner to one or more tuition savings account(s) established under the New York State College Choice Tuition Savings Program, and the contributions were not deductible or eligible for a credit for federal income tax purposes, **then** include that amount, up to \$5,000 for an individual, head of household, or married taxpayers filing separately, or up to \$10,000 for married taxpayers filing a joint return, on line 28.
- **Line 28 - Subtraction S-27, College tuition savings distributions** - This modification remains unchanged. Follow the instructions in your instruction booklet to determine the amount to enter on line 28.

If you need assistance or have additional questions, call the Taxpayer Assistance Bureau toll free from anywhere in the U.S. and Canada at 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.