

# my529<sup>®</sup> Tax Credit

Revenue and Taxation Interim Committee • Wednesday, September 18, 2019

## my529 tax credit at a glance

- In 2017, 18,232 returns claimed a my529 tax credit.
- Utah has offered the tax credit since 2008.
- Utah previously offered a tax deduction for contributions since the plan's inception in 1996.
- 36 states offer tax incentives for 529 contributions.
- Nine states do not have an income tax.

## Breakdown of Individual Income Tax Credits

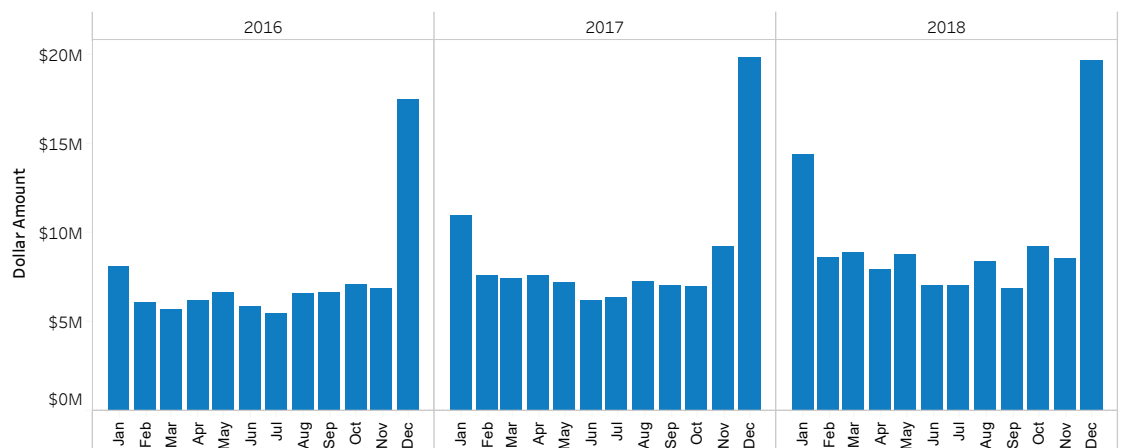
Year	2013	2014	2015	2016	2017
Credit count	13,947	15,267	16,498	16,941	18,232
Total value of credits	\$2,529,193	\$2,886,182	\$3,009,374	\$2,759,156	\$3,085,610
Average value	\$181	\$189	\$182	\$163	\$169
Estimated contributions claiming credit	\$50,583,860	\$57,723,640	\$60,187,480	\$55,183,120	\$61,712,200

Source: Individual Income Tax Credits by Tax Year, Utah State Tax Commission; my529

Each December, my529 receives more than double the number of contributions than in previous months. In order to qualify for the tax credit, contributions must be made by December 31 of the tax year.

The tax credit is an effective incentive for people to save.

## Contributions by Utah Account Owners



## 2019 State Tax Benefits for my529 Accounts

Filing Method	Contribution Eligible for Tax Credit		Tax Credit Percentage		Utah Tax Credit
Single	\$2,000	x	5%	=	\$100
Joint	\$4,000	x	5%	=	\$200
Trusts	\$2,000	x	5%	=	\$100
Grantor Trust, Married Filing Jointly	\$4,000	x	5%	=	\$200
Flow-Through Entities	\$2,000	x	5%	=	\$100
Corporations	\$2,000 Deduction				

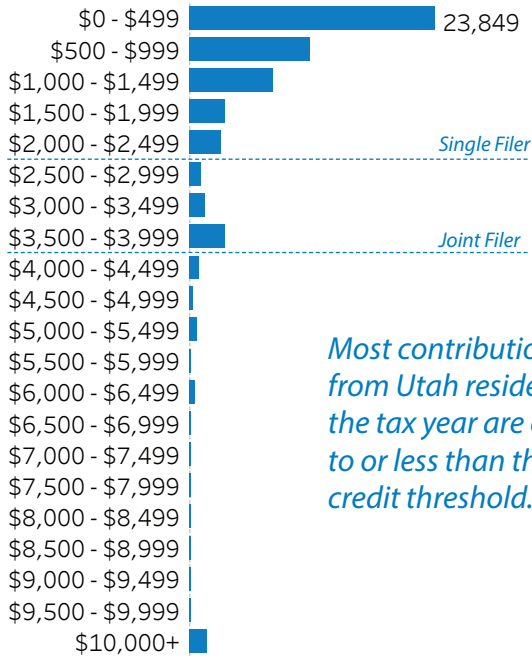
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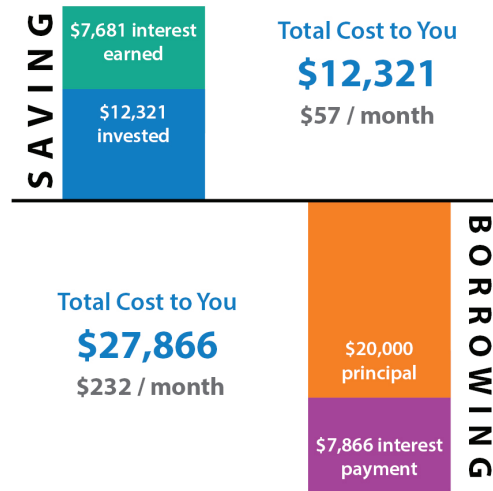
## Number of Utah Account Owners by 2018 Contribution Totals



Most contributions from Utah residents for the tax year are equal to or less than the tax credit threshold.

Every dollar saved is one dollar that will not have to be paid back with interest.

## Saving vs Borrowing For College (\$20,000 Goal)



All numbers are my529 estimates. Earnings on a my529 account over 18 years assume a contribution of \$57.04 at account opening and on the first day of each month, with a 5 percent rate of return compounded monthly. The monthly loan repayment assumes a 7 percent interest rate and a 10-year repayment period. Numbers are rounded. This chart is to be used for illustrative purposes only.

## Qualified Higher Education Withdrawals

In 2018, Utah account owners withdrew \$47 million for qualified education expenses.

