

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

Natwar M. Gandhi
Chief Financial Officer



July 31, 2002

DISTRICT'S 529 COLLEGE SAVINGS PROGRAM

Program Overview

The District's 529 program was established by D.C. Law 13-212, the College Savings Act of 2002, and amended by Bill B14-0660.

It is a national program that will be available to District residents and non-residents.

The program manager, Calvert Group, Ltd. (Calvert) is located in Bethesda, Md. Calvert, an Ameritas/Acacia company, will provide investment management services. DST Systems, Inc. will provide record keeping and administrative services.

Program launch date: Fall 2002

Investment Fund Options

- Stability of Principal (Stable Value)
- Fixed Income (Bond)
- Balanced
- Age-based Portfolio (with 5 age-bands)
- Indexed Equity
- Managed Aggressive (3 choices: small-cap, mid-cap, and large-cap)

Frequently Asked Questions

1. *What is a section 529 College Savings Plan?*

It is an investment plan operated by a state (or the District of Columbia) designed to help families save for future college costs. As long as the plan satisfies a few basic requirements, federal tax law (Section 529 of the Internal Revenue Code) provides special tax benefits to you, the plan participant.

2. *Will my contributions to the District of Columbia (D.C.) College Savings Program be tax deductible?*

Your contributions are not deductible for federal income tax purposes. However, D.C. residents can

receive up to \$3,000 annual District tax deductions for contributions per taxpayer or up to \$6,000 in annual District tax deductions for married couples filing jointly where each taxpayer owns an account. If contributions exceed the allowed deduction in a calendar year, the excess can be carried forward and deducted in subsequent tax years for up to five years.

3. *Will the earnings on my contributions to the plan be subject to federal or D.C. income tax?*

The earnings (or losses) on your contributions are tax-free for as long as your money stays in the plan. When the plan makes a distribution to pay for the beneficiary's qualified higher expenses (i.e. college costs), the distribution is exempt from federal and District income tax (tax-free) as well. This treatment applies for distributions in the years 2002 through 2010. Unless the U.S. Congress decides to extend this tax break, qualifying distributions made after 2010 will be taxable to the beneficiary (earnings portion only).

4. *Are there any age, income or residency restrictions on the account owner or the beneficiary in the D.C. College Savings Program?*

No. There are no age, income or residency restrictions on the account owner or the beneficiary in the D.C. College Savings Program.

5. *How will my account be invested?*

The ongoing investment of your account will be handled by the D.C. College Savings Program and will be professionally managed by one or more outside investment companies. You will be able to choose from six investment options including an age-based portfolio with five bands and three managed aggressive funds.

(continued)

6. *How does the D.C. College Savings Program differ from or complement the D.C. Tuition Assistance Grant (DCTAG) Program?*

The DCTAG Program provides D.C. residents who qualify and have graduated from high school on or after January 1, 1998, (those residents that graduated from high school before 1998 but who were enrolled in an eligible college during the Spring 2002 semester may also be eligible) with a grant to attend public colleges and universities nationwide. The grant pays the difference between in-state and out-of-state tuition so that D.C. residents only pay the low in-state rate, or get \$2,500 per year to go to private colleges and universities in the D.C. metropolitan area and private historically black colleges and universities nationwide. Further information can be accessed via the Internet at www.tuitiongrant.dc.gov.

Offering the two programs as a complementary package provides you with additional resources to help your child obtain a college education.

7. *What "qualified higher education" expenses can be paid from the D.C. College Savings Program without subjecting the withdrawal to tax?*

Your account balance can be used to pay expenses for tuition, room and board, books, and required supplies and equipment incurred while attending a qualified post-secondary institution. These include colleges and universities (including graduate school), as well as certain technical schools. You can research eligible institutions on the U.S. Department of Education's school code search page at www.fafsa.ed.gov.

8. *What happens if the beneficiary attends college outside of D.C., or even outside of the country?*

The D.C. College Savings Program permits you to use the full value of your account at any accredited college or university in the country (along with some foreign institutions). You can research eligible institutions on the U.S. Department of Education's school code search page at www.fafsa.ed.gov.

9. *Can I rollover my funds from one state's college savings plan into the D.C. College Savings Program?*

Yes, as often as once every 12 months. If you change the beneficiary of your account, you can transfer funds between programs at any time.

10. *How do I sign up for the D.C. College Savings Program?*

Once the D.C. College Savings Program is up and running in the fall of 2002, you will complete a simple enrollment form and make your contribution (or sign up for automatic deposits).

11. *Who can I contact to get more information about the forthcoming D.C. College Savings Program?*

Call the D.C. 529 College Savings Program customer service line toll-free at 1-800-987-4859.

12. *Can a 501(c)(3) organization establish an account in the DC College Savings Program?*

Yes, a nonprofit organization described in §501(c)(3) of the Internal Revenue Code may establish and become the account owner of an account to fund scholarships for persons whose identity will be determined upon disbursement. ?