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MO\$T – Education Fund

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Missouri has a relatively new, tax-favored higher education savings program – Missouri Savings for Tuition (MO\$T). Funds placed in a MO\$T will qualify as a reduction adjustment for calculating Missouri taxable income. Additionally, the earnings on the account are exempt from Missouri state income tax. Federal taxes on account earnings are deferred until the funds are distributed from the fund and are taxed at the student's tax rate. Contributions to the student's MO\$T can be made by anyone.

State-deductible contributions of up to \$8,000 (\$16,000 joint if both have at least \$8,000 of earned income) per year can be made to the MO\$T. Transfers to the MO\$T will be treated as a present interest gift (qualifying for the annual gift exclusion) from the contributor to the beneficiary of the MO\$T. However, a provision is available for greater up-front funding of the MO\$T by allowing the contributor to elect treating the contribution as if made ratably over five years, beginning in the year of contribution. Thus, someone could fund a MO\$T with \$40,000 and elect to have it treated ratably over five years. The maximum total contributions allowable to a student's MO\$T is \$100,000.

MO\$T funds are managed by TIAA-CREF (a New York-based financial services organization) with oversight of the Missouri State Treasurer and Missouri Higher Education Savings Program Board. Three investment options are available: 1) Guaranteed Option, 2) Managed Allocation Option, and/or 3) 100% Stock Fund Option. A MO\$T account can be started with a \$25 deposit.

An attractive feature of the MO\$T program is that nearly all public and private four-year colleges and universities, two-year colleges, vocational-technical schools, proprietary and professional schools, and theological institutions in Missouri and the nation would be eligible schools of higher education. Additionally, accumulations can be used for tuition, certain room and board expenses, books, and required fees and supplies.

While it is too late to make contributions for the 2000 tax year, now is the time to start investigating this education tuition savings tool for the 2001 tax year.

For more information on the MO\$T program call 1-888-414-6678 or log on the web at www.missourimost.com.