

IMPORTANT NOTICE TO NEW MEXICO TAXPAYERS

As a result of recent federal tax law changes, language was added to Section 529 of the Internal Revenue Code providing that the term "qualified higher education expense" shall include certain required expenses for a registered apprenticeship program and qualified education loan repayments.

Effective for distributions made after December 31, 2018, these changes in the federal tax law permit Account Owners to withdraw amounts to pay expenses for fees, books, supplies and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under Section 1 of the National Apprenticeship Act ("Apprenticeship Expenses") free of federal income taxes.

These federal tax law changes also permit Account Owners to withdraw up to \$10,000 free from federal income taxes to pay principal or interest on any qualified education loan of the beneficiary or of a sibling of the beneficiary ("Student Loan Payments"). Any student loan interest paid for with a 529 plan distribution is not eligible for the federal student loan interest deduction. The \$10,000 limit is a lifetime limit that applies separately to the beneficiary and each of their siblings, so that up to \$10,000 can be withdrawn from the account for Student Loan Payments for the beneficiary and up to an additional \$10,000 can be withdrawn from the account for Student Loan Payments for each sibling of the beneficiary.

Under current New Mexico tax law, contributions to the New Mexico 529 plans by a New Mexico individual taxpayer may be deducted for New Mexico individual income tax purposes, and the earnings on such contributions may not be subject to New Mexico income tax if used for qualified higher education expenses.

Any New Mexico contributor to an account, in certain circumstances, should be aware that the amounts deducted may be recaptured in subsequent years. Despite the changes to the federal tax law for Apprenticeship Expenses and Student Loan Payments, withdrawals for such expenses and payments will likely not constitute qualified higher education expenses for purposes of the recapture of deductions under the New Mexico tax code. Accordingly, New Mexico taxpayers should be aware that the portion of a withdrawal made for such expenses or payments that is attributable to contributions previously deducted for New Mexico income tax purposes may be subject to New Mexico state tax recapture and added to the New Mexico taxable income of the taxpayer who took the deduction in the year the withdrawal is made.

Account Owners who are New Mexico taxpayers should consult their own tax advisors before making withdrawals from a New Mexico 529 plan for Apprenticeship Expenses or Student Loan Payments.