

MEMO# 14675

April 26, 2002

IRS ISSUES MODEL FORMS FOR COVERDELL EDUCATION SAVINGS ACCOUNTS

[14675] April 26, 2002 TO: 529 PLAN ADVISORY COMMITTEE No. 20-02 PENSION MEMBERS No. 19-02 PENSION OPERATIONS ADVISORY COMMITTEE No. 29-02 TRANSFER AGENT ADVISORY COMMITTEE No. 37-02 RE: IRS ISSUES MODEL FORMS FOR COVERDELL EDUCATION SAVINGS ACCOUNTS The Internal Revenue Service has issued the attached revised model forms: (1) Form 5305-E (Coverdell Education Savings Trust Account), and (2) Form 5305-EA (Coverdell Education Savings Custodial Account). The forms reflect the renaming of these accounts from Education IRAs to Coverdell Education Savings Accounts¹ and changes made to Code section 530 by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).² Among the EGTRRA changes reflected in the forms are: • the increase in the annual contribution limit to \$2,000 per designated beneficiary; • the increase in the income eligibility phase-out range for married taxpayers filing jointly to \$190,000 - \$220,000 (which is twice the range applicable to single taxpayers); • the expansion of qualified expenses to include qualified elementary and secondary education expenses (in addition to qualified higher education expenses); and • the expansion of the “family member” definition to include first cousins. Thomas T. Kim Associate Counsel Attachments Note: Not all recipients receive the attachments. To obtain copies of the attachments, please visit our members website (<http://members.ici.org>) and search for memo 14675, or call the ICI Library at (202) 326-8304 and request the attachments for memo 14675. ¹ As you are aware, the President signed into law S. 1190 in July 2001, which changed the name of these accounts under section 530 of the Internal Revenue Code. See Institute Memorandum to 529 Plan Advisory Committee No. 6- 01, Pension Members No. 25-01 and Pension Operations Advisory Committee No. 45-01, July 27, 2001. ² See Institute Memorandum to Pension Members No. 21-01 and Pension Operations Advisory Committee No. 35-01, May 31, 2001. 2 Attachment no. 1 (in .pdf format)