
Qualified State Tuition Programs Notice 97-52

Section 529 of the Internal Revenue Code provides tax-exempt status to qualified State tuition programs ("QSTPs"). This notice extends the relief granted in Notice 96-58, 1996-2 C.B. 215 concerning the reporting requirements applicable to QSTPs described in § 529 through 1998. Notice 96-58 provides that reporting will not be required for any distribu-

tion made by, or benefit furnished in-kind under, a QSTP prior to 1998. In addition, Notice 96-58 provides that the Internal Revenue Service will not assess penalties against program administrators who do not file information returns or provide payee statements on distributions made during 1997 and prior years.

Sections 211 and 1601(h)(1) of the Taxpayer Relief Act of 1997, Pub. L. 105-34 (the "Act") amend § 529. The Act expands the definitions of "qualified higher education expenses" to include room and board expenses, "eligible educational institution" to include certain proprietary institutions and post-secondary vocational institutions, and "member of the family" to include persons described in § 152(a)(1) through (8). The Act clarifies the prohibition against investment direction in § 529(b)(5). The Act amends the gift tax treatment of contributions or transfers to QSTPs made after August 5, 1997, and the estate tax

treatment for decedents dying after June 8, 1997.

The Internal Revenue Service is continuing to develop reporting requirements for QSTPs. Because guidance on the reporting requirements must now take account of these amendments and because States will need additional time to implement appropriate recordkeeping and reporting procedures, reporting will not be required for calendar years prior to 1999. Further, the Internal Revenue Service will not assess penalties against program administrators who do not file information returns or provide payee statements on distributions made during 1998 and prior years.

For further information concerning this notice contact Monice Rosenbaum of the Office of Associate Chief Counsel (Employee Benefits and Exempt Organizations) at (202) 622-6070 (not a toll-free number).
