



Questions Employers May Have

What is NextGen 529®?

- NextGen 529 is Maine's Section 529 education savings plan. Section 529 refers to the section of the Internal Revenue Code that provides unique tax advantages and other special features to encourage families to invest for college.
- Funds contributed to a NextGen 529 account are after-tax. Contributions are not deductible for federal or Maine state income tax purposes.
- Any investment earnings have the opportunity to grow free from federal and Maine income tax. This means no federal or Maine state income taxes are incurred when funds are withdrawn and used to pay for qualified higher education expenses¹.

Who can benefit from a NextGen 529 account?

- NextGen 529 is for people of all ages: babies, kids, even adults.

Who can open a NextGen 529 account?

- Anyone who resides in the United States age 18 or older with a valid Social Security Number or U.S. taxpayer identification number can open a NextGen 529 account. A non-U.S. citizen must be a permanent resident with appropriate documents. There are no income restrictions. An account can be opened for a child, grandchild or any loved one. An account can also be opened to invest for the account owner's own higher education expenses.
- The account owner, also called the participant, is the person who retains control of the account. The designated beneficiary is the student on whose behalf the account has been opened.

Can employees use payroll deduction to fund their NextGen 529 accounts? If so, how?

- Yes! Most employers can work within their existing payroll system. A NextGen 529 contribution from payroll is similar to a direct deposit to a bank account. Here's the process:
 1. An employee must first own a NextGen 529 account. The employee can choose to do payroll deduction, either during the account opening process or by completing and submitting a payroll deduction form.
 3. After the form is processed, the employee receives instructions to share with his/her payroll department.

Can an employer make a contribution to an employee's NextGen 529 account?

Yes! Here are some considerations:

- A contribution constitutes a benefit to the employee and may be subject to payroll taxes.
- A contributor, other than the account owner, to a NextGen 529 account does not receive confirmation of the contributions and will have no subsequent control over funds contributed.
- The employee must provide the NextGen 529 account number to the employer, to facilitate the employer making contributions.
- Employers are advised to consult their tax and legal advisors about these considerations before deciding whether to undertake such contributions.

¹To be eligible for favorable tax treatment afforded to any earnings portion of withdrawals from Section 529 accounts, such withdrawals must be used for qualified higher education expenses, as defined in Section 529 of the Internal Revenue Code. Any earnings withdrawn that are not used for qualified higher education expenses are subject to federal income tax and may be subject to a 10% additional federal tax as well as state and local income taxes. State tax treatment of distributions for certain qualified higher education expenses may differ. Please consult your tax advisor for specific advice regarding such distributions.

NextGen 529 is a Section 529 plan administered by the Finance Authority of Maine (FAME). You may obtain the NextGen 529 Program Description by requesting a copy from your financial professional, visiting NextGenforME.com or calling the program manager at 1-833-336-4529. The Program Description should be read carefully before investing. The Program Description contains more complete information, including investment objectives, charges, expenses and risks of investing in NextGen 529, which you should carefully consider before investing. If you are not a Maine resident, you also should consider whether your or your designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. NextGen 529 accounts are not bank deposits and are not insured by the Federal Deposit Insurance Corporation (FDIC). Returns on investments in NextGen 529 accounts are not guaranteed or insured by the State of Maine, FAME or any NextGen 529 service providers. NextGen 529 participants assume all investment risk of an investment in NextGen 529, including the potential loss of principal and liability for tax penalties that are assessable in connection with certain types of withdrawals of amounts invested in NextGen 529. Sundry Administration, LLC is the program manager, its affiliate The Bank of New York Mellon is the program custodian, BlackRock Advisors, LLC is the program investment manager, and BlackRock Investments, LLC is the program distributor and underwriter.