



TEXAS GUARANTEED TUITION PLAN
2013 STUDENT
HANDBOOK



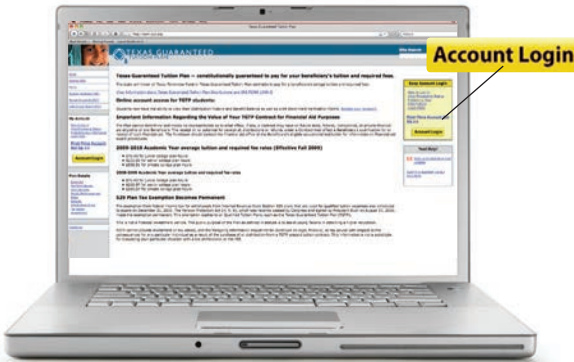


CONGRATULATIONS!

You'll graduate from high school this year, and for some time now you've been thinking about college. College is a wonderful stage in life, but it can be expensive. Because you are a beneficiary of the *Texas Guaranteed Tuition Plan*, a prepaid tuition plan also known as the *Texas Tomorrow Fund*, some or all of your college tuition and required fees have been prepaid. Now you can concentrate on more important concerns, such as your studies.

This handbook will help you better understand the *Texas Guaranteed Tuition Plan (Plan)*, and how you can get the maximum benefit from your prepaid tuition contract. It answers many common questions we receive from students just like you. We recommend you read the handbook carefully and keep it handy. If you have any other questions, please call us at:

1-800-445-GRAD (4723), Option 2



You can access your account information, an electronic version of this booklet, *Texas Guaranteed Tuition Plan* forms, and other contract information on our website:

www.tgtp.org

Again, congratulations on reaching this milestone in your academic career. We wish you much success in college and beyond.



TABLE OF CONTENTS

Congratulations!.....	1
General Information.....	4
How Does It Work?.....	6
What If You Decide Not To Go To College?.....	9
Tuition And School-Wide Required Fees.....	10
Scholarship Recipients.....	11
Plan Benefits Chart	12
Out-Of-State Institutions	14
Out-Of-State Residency	16
Career Schools	17
College Graduates	17
Taxes.....	18
Fee Terms	19
Dual Enrollment	20
Out-Of-Plan Usage.....	21
Certificate Programs, Online, Correspondence, and Health Science Courses	22
Quarter Schools.....	22
Two-Year Junior and Two-Year Senior College Plan Contracts.....	22
Private College Contracts	23
Usage Statements.....	24
Studying Abroad	25
10-Year Automatic Termination of Contracts	25
To File a Complaint.....	25
Your <i>Texas Guaranteed Tuition Plan</i> Checklist	26
The Texas Tuition Promise Fund	27
Every Chance, Every Texan Website.....	27
The Texas Prepaid Higher Education Tuition Board	28
Questions?	28

Please note that the *Texas Guaranteed Tuition Plan* is not affiliated with the Texas Guaranteed Student Loan Corporation. The Texas Guaranteed Student Loan Corporation, also known as “Texas Guaranteed” or “TG”, provides information, tools and solutions to students, schools and lenders to help simplify the higher education loan process. It does not have any role in the *Texas Guaranteed Tuition Plan*, a plan sponsored by the State of Texas and administered by the Texas Prepaid Higher Education Tuition Board.

GENERAL INFORMATION

The *Texas Guaranteed Tuition Plan* is a qualified tuition program administered by the Texas Prepaid Higher Education Tuition Board (Board). While the *Texas Guaranteed Tuition Plan* is now closed to new enrollment, a second prepaid tuition plan, the *Texas Tuition Promise Fund*[®], is open to new enrollment from September 1 to the end of February each year. The board also oversees the direct-sold *Texas College Savings Plan*[®] and the advisor-sold *LoneStar 529 Plan*[®], IRS section 529 college savings plans open to new enrollment year-round that can be used to pay for tuition and fees, room and board and other qualified educational expenses not covered by the *Texas Guaranteed Tuition Plan* or the *Texas Tuition Promise Fund*[®].

Your *Texas Guaranteed Tuition Plan* benefits can be used to pay your tuition and school-wide required fees at eligible colleges and universities until your contract benefits are depleted. The college or university can be public, private or an approved accredited career school. **Required fees are only those fees that must be paid as a condition of enrollment for all students attending an institution, regardless of year, major or program of study.** Please note: the *Texas Guaranteed Tuition Plan* does not cover course-specific fees, deposits or optional fees such as adviser, lab or graduate fees. It also does not cover room and board, computers, books, transportation or other incidental expenses.

The *Texas Guaranteed Tuition Plan* has four different contract types, sold in increments of one year or 30 to 32 credit hours, depending on the plan type and the year in which the contract was purchased. With this handbook, you should have received a letter that states the type of plan you have. The information below provides details on each type of contract:

- **Junior College:** up to 64 credit hours.

- **Junior-Senior College:** up to 64 credit hours for junior college and up to 64 credit hours for senior public college, for a total of 128 credit hours.

- **Public Senior College:** up to 160 credit hours.

- **Private College:** up to 160 credit hours. Note: The private college contract pays the estimated average cost of tuition and required fees at Texas private colleges and universities.





The *Texas Guaranteed Tuition Plan*, pays for your undergraduate tuition and school-wide required fees at eligible colleges and universities for each academic term in which you are enrolled until your benefits are depleted. See the section “College Graduates” for information on using your plan for a graduate or professional degree.


CONTRACT HOURS AND FEE TERMS

Years Purchased Regardless of Plan Type	Hours	Fee Terms*	1996 Contracts (Does not include additional hours that may have been purchased)**
5 Years of College	160	10	NA
4 Years of College	128	8	120
Junior/Senior 2+2	64/64	8	64/60
3 Years of College	96	6	90
2 Years of College	64	4	60
1 Year of College	32	2	30

* *Fee Terms have no value without corresponding hours.*

** *Additional hours were sold for 1996 contracts in 2-hour increments up to 8 hours.*



 Present your card to the billing office every semester (or every academic term) unless the college gives you other instructions.

FYI – No dollar value is placed on a contract. All contracts are measured by credit hours. We estimate one year of college as the equivalent of 32 credit hours. Though the *Texas Guaranteed Tuition Plan* does not stipulate a minimum or maximum hour usage per term, your contract ends when you have used the maximum number of credit hours purchased through your contract. Contract benefits may be limited by fee terms. For more information, please see the “Fee Terms” section in this handbook.

HOW DOES IT WORK?

To get started and familiarize yourself with your contract details, please visit our website at www.tgtp.org. You can establish an account login and view all account activity including distributions processed to date and hourly balances. You can even print letters for your college or university with up-to-date details about your contract.

When you register at the college or university, **you must notify the school’s billing office** that you have a *Texas Guaranteed Tuition Plan* contract. Your First Time in College packet contained an identification card (I.D. card). Just as your school needs to know from semester to semester if you will be paying with a check or credit card, it also needs

to know each semester if you will be using the *Texas Guaranteed Tuition Plan* as a form of payment. We send payments for tuition and school-wide required fees directly to institutions of higher education or career schools and cannot reimburse purchasers for payments they advance to the institution. Purchasers making advance payments to the school for hours that will be paid by the *Texas Guaranteed Tuition Plan* will have to work directly with the school in order to obtain any refund of those payments.

It is always best to make sure your school knows to **invoice** the *Texas Guaranteed Tuition Plan*, to determine if the full amount due each semester will be covered by your contract. The difference between what the *Plan* covers and any balance you owe for costs not covered could result in a loss of classes. Present your I.D. card to the billing office every semester (or every academic term) unless the college or university gives you other instructions. You have received two I.D. cards. It's a good idea to make an extra copy for your records in case the originals are misplaced. If you need a replacement, please call the *Texas Guaranteed Tuition Plan* at 1-800-445-GRAD (4723), Option 2. You can also print an enrollment verification letter from our website when you access your account online.

If you decide not to use your *Texas Guaranteed Tuition Plan* for any given semester, tell the billing office at the institution you attend. You have **10 years** from your projected high school graduation date to use the hours purchased in the *Texas Guaranteed Tuition Plan* or your contract will automatically terminate. The *Plan* does not specify the semesters for which you must use your contract.

You must notify your college or university that you are a *Plan* beneficiary, so they will bill the *Texas Guaranteed Tuition Plan* for tuition and school-wide required fees on your behalf for the number of hours in which you are enrolled that are covered by your *Plan*, but you will be required to pay any **additional charges** by the college's or university's payment deadline to avoid being dropped from classes. Your *Texas Guaranteed Tuition Plan* contract also can be used for special terms, such as summer and mini-sessions.

NOTE: Usually, your college or university will flag or pre-credit your account to invoice the *Texas Guaranteed Tuition Plan* on your behalf. The school will not actually invoice the *Plan* until later during the term after the add/drop period. Our goal is to pay invoices within 30 days of receipt. Always make sure that you pay any remaining balances due by the deadline so that you are not dropped from any classes. Every school has its own procedures for third-party billing.



Know your college or university's procedures for billing the *Texas Guaranteed Tuition Plan*. The hours billed and fee terms, if applicable, will be deducted from your contract.

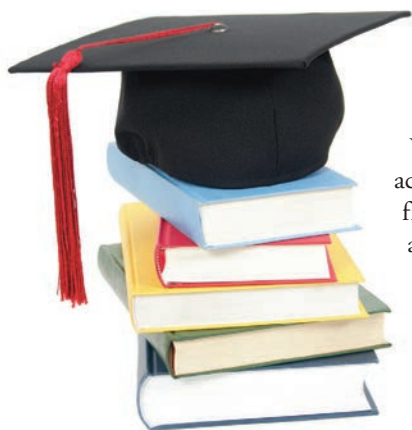
Your contract must be paid in full, including any outstanding fees, before we pay any amount to your college. Check with the purchaser(s) of your contract or login to your account information at www.tgtp.org to confirm that the account is paid in full because no distributions are made from the contract until it is paid in full. A paid-in-full letter is mailed to the purchaser when all contract obligations have been paid. Because your contract cannot be processed without a valid Social Security number or current permanent address, it is also important for you to confirm this information as it appears on your account. You can view your account information online at www.tgtp.org or contact our office at 1-800-445-GRAD (4723), Option 2.

If you withdraw from school after the registration period but before classes begin, **notify the billing office** at your school so the *Texas Guaranteed Tuition Plan* will not be billed, otherwise these hours will be **deducted** from your contract. You will be responsible for any fees associated with withdrawal. There will be no adjustment to your contract for hours dropped after the *Texas Guaranteed Tuition Plan* has paid an invoice on your behalf. Any refund under these circumstances is between you and your school, and the hours cannot be restored to your contract.

Each January, the purchaser of your contract will receive a statement listing distributions made by the *Texas Guaranteed Tuition Plan* on your behalf. This annual statement will detail invoices paid and the credit hours and fee terms deducted as well as the remaining balance on your contract. Please **verify** that the distributions agree with the credits you receive at your school each term. If you find any discrepancies, please call the *Texas Guaranteed Tuition Plan* at 1-800-445-GRAD (4723), Option 2.

Customer Service staff are available to answer your questions. This information is also available by accessing your account on our website at www.tgtp.org.

Whether your *Texas Guaranteed Tuition Plan* account will affect your eligibility for federal financial aid depends on who the purchaser is and your relation to the purchaser. Laws related to federal student aid change frequently. Currently, if you or your parent owns your contract, you need to report the refund value of your contract as a parental asset on your



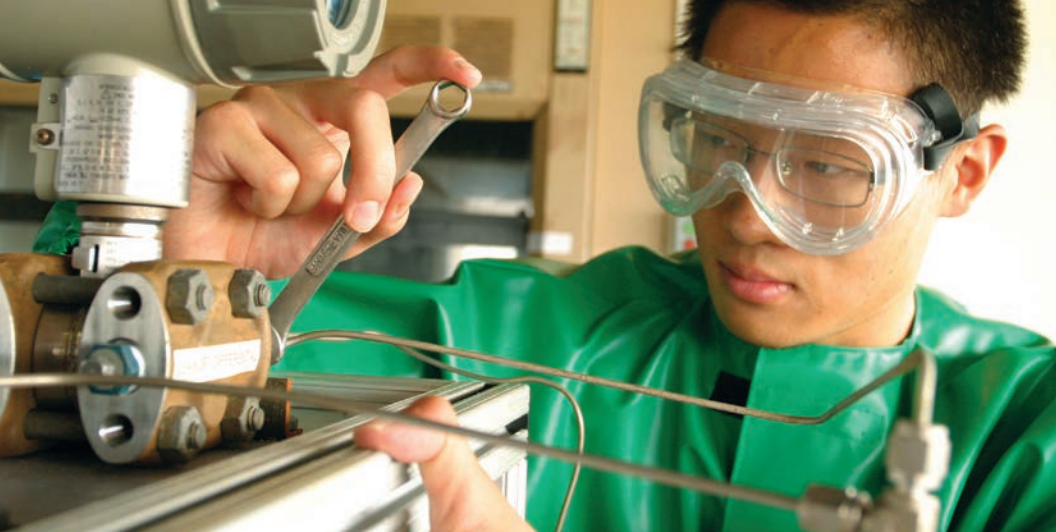


Each January, the purchaser of your contract will receive a statement listing distributions made by the *Texas Guaranteed Tuition Plan* on your behalf.

Free Application for Federal Student Aid (FAFSA). And, currently, you do not need to report distributions from your contract as income on the FAFSA if (1) you or your parent owns the contract, and (2) the distribution is excluded from taxable income. You should check the latest information on the Department of Education's website at www.fafsa.com, particularly the Federal Student Aid Handbook, to see how you should report your account on the FAFSA. For Texas state-funded financial aid, the value of your account will not be considered an asset, income, or resource in determining eligibility. For school-based financial aid, the effect of being a purchaser or beneficiary of a 529 account varies from institution to institution.

WHAT IF YOU DECIDE NOT TO GO TO COLLEGE?

You have 10 years from your projected high school graduation date to use your *Texas Guaranteed Tuition Plan* credits or your contract will automatically terminate. The only exception is if you are on active duty in the U.S. armed services during the 10-year period; in that case, any time you spend on active duty will be added to the 10-year period. If you decide you are not going to attend college, the purchaser of the contract may choose to transfer the funds to another qualified beneficiary or to cancel your contract. After a beneficiary is 18 years old or has graduated



The *Texas Guaranteed Tuition Plan* will pay the credit-hour fees up to the maximum number of credit hours covered by your contract (maximum of 160).

from high school and before the contract automatically terminates, the purchaser may request a refund for unused contract hours at the hourly reimbursement rate in effect at the time of cancellation for the type of plan purchased, minus cancellation and administrative fees.

TUITION AND SCHOOL-WIDE REQUIRED FEES

The *Plan* pays only tuition and school-wide required fees. Required fees are only those paid by all students at a college or university as a condition of enrollment. Please note: depending on the school you attend, you may be required to pay fees that are not school-wide required fees and are not covered by the *Plan*, such as lab fees, optional fees, graduate fees or deposits, or fees related to your major or year of study, such as, freshman orientation or freshman advisor fees. And, the *Plan* does not cover room and board, computers, books, transportation or other incidental expenses.

Throughout this handbook the term “required fees” refers to “school-wide required fees.”

For Texas public colleges and universities, required fees are paid either on a **credit-hour basis** or a **semester basis**, depending on how the institution charges the fee. The *Texas Guaranteed Tuition Plan* will pay for up to 10 semesters of fees assessed on a per-semester basis depending on the number of fee terms purchased on your contract. Two semesters of fees are purchased for each contract year. A fee term is deducted for fall, winter and spring terms. Half a fee term is deducted for each summer session. No fee term is deducted for mini-sessions or

multiple invoices paid in the same semester. Please refer to the “Fee Terms” section in this handbook for more details.

Example:

Assume you have a four-year public Senior College contract with 128 credit hours and eight fee terms. As an undergraduate student, you enroll for the fall semester at the University of Texas for 18 hours. The following semester (spring), you enroll for 16 hours. You have used 34 hours of tuition and fees on a credit-hour basis. You also have used two semesters of required fee terms assessed on a semester basis. Your remaining balance is 94 hours of tuition and fees on a credit-hour basis and six semesters of fee terms on a semester basis.

It is possible to have hours remaining on your contract, but no remaining fee terms. In that instance, the *Plan* will only pay tuition and required fees charged on an hourly basis, but not required fees charged on semester basis.

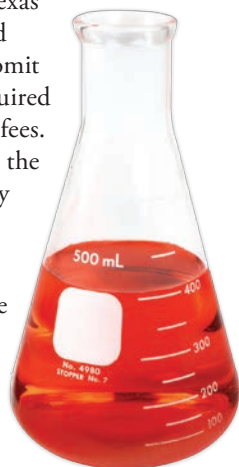
Note: 1996 contracts were based on 30 hours a year with a total of 120 hours for a four-year Senior College contract.

SCHOLARSHIP RECIPIENTS

If you accept a scholarship covering tuition and required fees in full, the purchaser of your contract may request a refund equal to the amount of tuition and school-wide required fees the *Plan* would have paid the institution under your plan type. The refund amount will not exceed the total tuition and school-wide required fees at your college or the amount that the *Plan* would have paid the school on your behalf for any given term. Scholarship refunds can be issued to the purchaser each academic term as long as the scholarship is in effect.

When you receive a **partial** scholarship to a public Texas college or university, the purchaser will receive a refund for the amount of the scholarship and the *Plan* will submit payment to the college or university in the amount required to pay the remaining tuition and school-wide required fees. The purchaser will automatically receive the refund for the partial scholarship when the public college or university bills the *Plan* each semester.

The purchaser may decide not to use the *Plan* for the semester in which you receive a scholarship(s). In the case of a partial scholarship, paying the portion not covered by the scholarship(s) directly to the school and not requesting a refund will save the hours on your contract for later use. You also have the option of using a schol-



	Type of College	Texas Public Junior Colleges	Texas Public Senior Colleges
Type of Contract	Junior	Actual Tuition and Required Fees (In or Out of District)	Actual Tuition and Required Fees⁽¹⁾
	Junior/Senior (2+2)	Actual Tuition and Required Fees⁽³⁾ (In or Out of District)	Actual Tuition and Required Fees⁽⁴⁾
	Senior	Actual Tuition and Required Fees⁽¹⁾ (In or Out of District)	Actual Tuition and Required Fees
	Private	Actual Tuition and Required Fees⁽¹⁾ (In or Out of District)	Actual Tuition and Required Fees⁽¹⁾

Notes:

- (1) *Hour Conversion: Hours are deducted from the contract based on the billed amount divided by the Texas Average Rate for hour type purchased.*
- (2) *Out-of-State Fee: A \$25.00 fee is assessed on out-of-state distributions per semester.*
- (3) *Junior hours deducted equals hours enrolled. Once Junior hours are depleted refer to note (1).*
- (4) *When utilizing Junior hours refer to note (1). Once Junior hours are depleted Senior hours deducted equal hours enrolled.*
- (5) *Purchaser may request refund if the actual tuition and required fees are less than the amount paid by the Plan for the number of hours enrolled at the hourly reimbursement rate.*
- (6) *With a letter of authorization signed by both contract purchaser(s), if applicable, the Plan can pay more than the actual hours enrolled at Texas private or career colleges or out-of-state institutions up to the total tuition and required fees charged to the student. Contract hours would be deducted based on the total amount paid to the institution by the Plan divided by the hourly reimbursement rate for the contract type. The Plan cannot pay course related fees such as lab fees or any other non-eligible charges even with the letter of authorization.*

Texas Private or Career Colleges	Out-of-State (Public and Private Junior and Senior Colleges)	Texas Average Rate per Hour (Fall 2012 - Summer 2013)
Texas Junior Average Rate per hour enrolled ⁽⁶⁾	The lesser of the Texas Junior Average Rate per hour enrolled or the Actual Cost ^{(2) (6)}	\$85.65
Texas Junior/Senior Average Rate per hour enrolled ⁽⁶⁾	The lesser of the Texas Junior/Senior Average Rate per hour enrolled or the Actual Cost ^{(2) (6)}	\$85.65 for Junior \$265.96 for Senior (Junior hours disbursed prior to senior)
Texas Senior Weighted Average Rate per hour enrolled ⁽⁶⁾	The lesser of the Texas Senior Weighted Average Rate per hour enrolled or the Actual Cost ^{(2) (6)}	\$265.96
The lesser of the Texas Private Average Rate per hour enrolled or the Actual Cost ^{(5) (6)}	The lesser of the Texas Private Average Rate per hour enrolled or the Actual Cost ^{(2) (5) (6)}	\$693.51

PLAN BENEFITS CHART

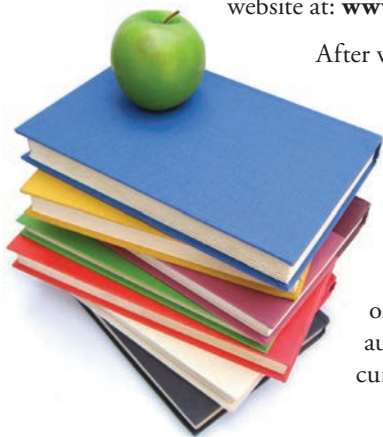


arship refund to pay current qualified education expenses not covered by the *Plan*, such as books, special needs services or room and board (subject to limitations). If your scholarship refund is not used for qualified education expenses, it will be included in income, but, for qualified scholarships, will be exempt from the additional 10% tax penalty. Be sure to keep documentation of your scholarship and education expenses for tax purposes. And, be sure to review IRS publication 970 and IRS notices related to Section 529 with your tax advisor. Another option is to deposit your scholarship refund within 60 days into a 529 savings plan, such as the *Texas College Savings Plan*®, for qualified education expenses in future years. Or, funds from your account may still be sent to your college from the *Plan* to augment total funds applied to your account in addition to scholarships that you receive. Please work with the college billing office to ensure the optimal use of scholarships and *Plan* distributions.

Refunds for partial scholarships to Texas public colleges or universities will happen automatically. Otherwise, to receive scholarship refunds from the *Plan*, you must submit proof of the scholarship, including a copy of the letter received from the granting foundation or any other medium acceptable to the board. A written request for the refund, signed by the contract purchaser(s), will be needed each term, along with verification of enrollment (term, college and hours of enrollment) plus verification of tuition, required fee charges and scholarship credit(s) (a student fee bill). See the section “Taxes” for information on taxation of refunds.

OUT-OF-STATE INSTITUTIONS

Please notify the *Texas Guaranteed Tuition Plan* in writing, at least 60 days in advance, of your intent to enroll in an eligible out-of-state college. You can do this by submitting an Intent to Enroll in an Out-of-State College or University form, available on our website at: www.tgtp.com/forms/.



After we receive your notification, we will send a third-party billing letter to the school. This letter will contain billing instructions and the amount that the *Texas Guaranteed Tuition Plan* will pay per credit hour on your behalf. The rates quoted in the third-party billing letter are good for one academic year. The letter will be sent automatically each summer, reflecting current available hours and new rates



Please notify the *Texas Guaranteed Tuition Plan* in writing 60 days in advance of your intent to enroll in an out-of-state college.

when there has been a distribution in the previous academic year to an out-of-state college.

During registration, you should contact your school's billing office to establish invoicing for the *Texas Guaranteed Tuition Plan*. If the college has **not** received the third-party billing letter from our office, please have the college contact the *Plan* at 1-800-445-GRAD (4723), Option 2. To ensure payment, **you are responsible for letting the billing office know that they need to send an invoice to the *Texas Guaranteed Tuition Plan* on your behalf. Please contact us immediately if there are any problems regarding payment to the school.**

The *Texas Guaranteed Tuition Plan* will pay the college after receipt of a valid invoice. A \$25 processing fee is deducted from the payment to the out-of-state school for each term funds are disbursed on your behalf. Texas public and private colleges and universities are surveyed each June to obtain



 The Texas weighted average rate for a public senior college plan is \$265.96 per credit hour for the 2012-2013 academic year.

information on tuition and required fees for the upcoming academic year. The information is analyzed and sent to the *Plan's* actuary for review. Based on the results, the Texas Prepaid Higher Education Tuition Board sets the hourly reimbursement rates for the *Plan*. Fall distributions cannot be processed prior to approval of the rates by the Board, typically in August each year. If the college or university does not invoice or pre-credit the student's school account, you may need to make other arrangements to meet their payment deadlines and be reimbursed by the college or university once the *Texas Guaranteed Tuition Plan* makes payment to the college or university.

You will owe the amount of tuition and required fees in excess of the amount the *Texas Guaranteed Tuition Plan* will pay on your behalf. The program will transfer to the out-of-state school an amount equal to the lesser of actual tuition and school-wide required fees or hourly reimbursement rates for the type of contract you have and the number of hours taken each term. If the out-of-state tuition and school-wide required fees are less than the Texas rate per contract type multiplied by the hours enrolled, the hours deducted will be prorated to pay the invoice in full. Your contract is depleted by hours.

For the 2012-2013 academic year the hourly reimbursement rate for a senior college contract is \$265.96 per credit hour. This rate will be adjusted for the 2013-2014 academic year based on tuition and school-wide required fee changes at Texas colleges and universities.

OUT-OF-STATE RESIDENCY

Students who live out of state and return to Texas to attend college as nonresident students will receive in-state (resident) rates only for the

hours the *Texas Guaranteed Tuition Plan* pays on their behalf. This is required by the Texas Education Code (see www.statutes.legis.state.tx.us/Docs/ED/htm/ED.54.htm#54.621) under Chapter 54 (Tuition and Fees), Sections 54.051 and 54.621(c) (Beneficiary).

CAREER SCHOOLS

The *Texas Guaranteed Tuition Plan* will pay tuition and required fees at an eligible Texas career school according to the hourly reimbursement rate for your contract type for the number of hours taken each term. The *Plan* can directly pay an eligible Texas career school that offers a two-year associates degree approved by the Texas Higher Education Coordinating Board. The definition of the types of career schools and colleges *Texas Guaranteed Tuition Plan* can pay directly can be found at www.statutes.legis.state.tx.us/Docs/ED/htm/ED.54.htm#54.601.

COLLEGE GRADUATES

If you have not used all your credit hours by the time you graduate from college, you can apply them to a graduate or a professional degree before the 10-year automatic termination date. The *Texas Guaranteed Tuition Plan* will not, however, pay based on the price of graduate tuition and required fees; it will pay the hourly reimbursement rate for your contract type at Texas public colleges or universities for undergraduate tuition and school-wide required fees. However, the *Plan* can pay the full amount of the graduate school tuition and school-wide required fee charges to the college or university with written authorization from the contract purchaser(s) approving use of additional credit hours to pay up to the number of hours available on your contract. See note (6) on Plan Benefits Chart on page 12.

If you do not intend to pursue further higher education after college graduation, the contract purchaser(s) may request a refund for the remaining hours. Prior to termination, the value of the remaining hours will be calculated at the Texas public or private college or university reimbursement rate of tuition and school-wide required fees in effect at the time of cancellation. The Cancellation Form is available on our website at www.tgtp.org. If the purchaser is cancelling the contract because the beneficiary has graduated from college, the reason for cancellation should be noted on the form as “graduation from college”. See the section “Taxes” for information on taxation of refunds. In the event that the purchaser(s) desires to cancel the account, both the purchaser and joint purchaser, if applicable, must sign the Cancellation Form. Any refund will be in the name of both the purchaser and joint purchaser, if applicable.

The purchaser must redeem your *Texas Guaranteed Tuition Plan* benefits by the 10th anniversary of the date on which you are projected to graduate from high school or the contract will automatically terminate. The only exception is if you or the purchaser provide proof that you were on active duty in the U.S. armed services during the 10-year period. In that case, any time spent on active duty will be added to the 10-year period.

TAXES

Generally, earnings on qualified 529 tuition programs such as the *Texas Guaranteed Tuition Plan* are exempt from federal income tax if used for qualified higher education expenses. In each year that distributions are made on your behalf, you will receive a IRS form 1099-Q from the *Texas Guaranteed Tuition Plan* in January notifying you of the amount distributed on your behalf and designating what portion of the distribution was reported to the IRS as earnings for the previous calendar year. This 1099-Q information should be used in preparing your income tax return. Check the latest Federal Student Aid Handbook on the Department of Education’s website at www.fafsa.com, or talk with your school’s financial aid office about whether and how to list these distributions on any financial aid applications. Distributions will be reported to the IRS as follows:

Type of Distribution	IRS Form 1099-Q Taxable Party
Payments to Colleges and Universities	Beneficiary
Scholarship and Private Benefit Refund	Purchaser
Voluntary Cancellation Refund	Purchaser
Involuntary Cancellation Refund	Purchaser

DISTRIBUTION CHART

In the event that a joint purchaser is included on a refund, the 1099-Q will be issued in the name of the primary purchaser only. For information on reporting benefit usage, see Publication 970 on the IRS website at www.irs.gov/pub/irs-pdf/p970.pdf. The earnings portion of



The *Texas Guaranteed Tuition Plan* will pay even when you attend a school that is not in your selected plan.

a refund, if any, that is not used for qualified education expenses is subject to federal income taxes plus, in most cases, an additional 10% federal tax as well as any state or local taxes, if applicable. Be sure to keep documentation of your expenses for tax purposes. And, be sure to review IRS Publication 970 and IRS notices on Section 529 with your tax advisor.

FEE TERMS

Contract benefits deplete by hours but may be limited by fee terms as well. Fee terms affect contracts when being used “in plan” (for example, a senior contract used to cover hours at a senior college or junior contract used to cover hours at a junior college) while attending Texas public colleges and universities. Fee terms are based on the semester fees charged at your Texas public college or university. Your *Texas Guaranteed Tuition Plan* contract has two fee terms per contract year purchased. Fee terms cover those school-wide required fees that are a condition of enrollment for all students and charged at the same rate per semester (semester fees) to all students. In other words, they are flat-rate fees that do not change with the number of semester hours taken and are not course-specific. An I.D. fee of \$2 per semester is an example of such a school-wide required fee. A fee term is deducted with each semester invoice processed (with summer sessions depleting at one-half a fee term per session) when your contract is used to cover tuition and school-wide required fees at Texas public colleges or universities. Contract benefits continue to pay the school-wide required fees charged on an hourly basis (per semester credit hour) up to the full hours purchased.



If you plan to study abroad, please coordinate with the school you attend to see if they can invoice the *Texas Guaranteed Tuition Plan* on your behalf.

Contracts that are used “out of plan” (for example, if you use a senior college contract to attend a Texas private school) or out of state are disbursed at the hourly reimbursement rate for that contract type. Contracts paying at an average reimbursement rate would continue to pay at that rate until the hours are depleted. There is no fee term value in these cases. Fee Terms have no value without corresponding hours.

DUAL ENROLLMENT

Dual enrollment is the term used for college credit courses taken while attending high school. The *Texas Guaranteed Tuition Plan* disburses funds on a per-hour basis and will pay for college credit courses taken during high school. Your contract must be paid in full, including any outstanding fees, before funds can be disbursed to your college. If you decide to use the

contract before the first assumed payout date (projected high school graduation), the purchaser must complete a Dual Enrollment Request Form. This form is located under the “Forms” section on our website and is also available at www.window.state.tx.us/taxinfo/taxforms/89-112.pdf. The purchaser(s) will be required to designate a new payout date on the form which will change the 10 year termination date on your contract that was assigned at the time of purchase. An earlier payout date will accelerate the 10 year automatic termination of your contract.

OUT-OF-PLAN USAGE

The *Texas Guaranteed Tuition Plan* can be used when you attend a school that is not your selected contract type. For example, if you use Senior College contract hours to pay for courses taken at a junior college, the *Texas Guaranteed Tuition Plan* will pay the tuition and school-wide required fees for the number of hours taken, but the number of senior hours deducted from your *Texas Guaranteed Tuition Plan* will be equal to the amount paid to the college divided by the hourly reimbursement rate for a Senior College contract for that academic year. The hourly reimbursement rate for a Senior College contract is \$265.96 per credit hour for the 2012-2013 academic year. If a student with a Senior College contract enrolled in 15 hours at an in-state junior college with tuition and school-wide required fees of \$900, we would deduct 3.384 hours ($\$900$ divided by $\$265.96$ hourly rate) from his or her contract for the semester.

If you use Junior College contract hours to pay tuition and school-wide required fees at a Texas public university, the hours will be depleted as necessary to cover the university’s full tuition and school-wide required fee charges. For example, if you take 15 hours at a public university where the tuition and fee charges are \$3,500, the actual hours depleted from the contract would be 40.864 (or $\$3,500$ divided by $\$85.65$) based on the 2012-2013 Texas average Junior College contract rate of $\$85.65$ per credit hour.

If you use Private contract hours to pay tuition and school-wide required fees at a Texas public junior or senior college and those charges are less than the current Private contract hourly average rate, the purchaser of the contract may request in writing a refund of the amount by which estimated average private tuition and required fees exceeds the actual tuition and required fees paid. That request can be a standing request to process a refund to the purchaser whenever a distribution is made to a Texas institution of higher education; or the request can be on a term-by-term basis (semester or quarter).

If you have a Junior or Senior College contract and attend a private institution or career school, the amount paid by the *Texas Guaranteed*

Tuition Plan will be the actual number of hours enrolled multiplied by the hourly reimbursement rate for your type of contract. For example, based on the rates in effect for the 2012-2013 academic year, if you have a senior Senior College contract and are taking 15 hours at a private university with tuition and required fee charges of \$9,000, the *Texas Guaranteed Tuition Plan* would pay \$3,989.40 (15 hours multiplied by \$265.96, the hourly reimbursement rate for a Senior College contract). If the tuition and required fees are greater than the hourly rate payment, you will need to make payment directly to the school for the amount not covered by the *Texas Guaranteed Tuition Plan*. Full graduate tuition charges may be paid to the college or university with written authorization from contract purchaser(s) up to the number of hours available on your contract. See note (6) on Plan Benefits Chart on page 12.

CERTIFICATE PROGRAMS, ONLINE, CORRESPONDENCE, AND HEALTH SCIENCE COURSES

Your *Texas Guaranteed Tuition Plan* contract may be used for online and correspondence courses as long as they are taken at eligible institutions for college credit. Contract benefits may be used for certificate programs for firefighters, peace officers, emergency medical technicians, pharmacy technicians, etc., so long as courses are taken at eligible institutions. Certificate programs are usually billed through Health Science Centers or the Continuing Education Division of a college or university.

QUARTER SCHOOLS

The *Texas Guaranteed Tuition Plan* pays quarter schools at $.666666$ (or $\frac{2}{3}$) of a semester hour per one-quarter hour taken. In this way, the *Texas Guaranteed Tuition Plan* may disburse for the full number of years purchased on your behalf. For example, if you take 15 hours for two semesters, you would use 30 credit hours in one year from your contract. If you take 15 hours each quarter for three quarters, you would use 30 semester hours (15 hours multiplied by $.666666$ converts to 10 hours multiplied by three quarters) from your contract in one year. If the *Texas Guaranteed Tuition Plan* disburses at the actual number of hours taken each quarter for three quarters per year, the contract would be depleted at a faster rate than originally expected. This may not be the best use of your contract.

TWO-YEAR JUNIOR AND TWO-YEAR SENIOR COLLEGE PLAN CONTRACTS

When an invoice is presented on a Junior/Senior College Plan (2+2) contract, the junior college hours pay out first. When the junior college hours



Texas has a new prepaid tuition plan, the *Texas Tuition Promise Fund*, that opened for new enrollment in September 2008 (www.texas tuition promise fund.com).

are depleted, the Plan disburses the senior college hours. If junior college hours are used at a Texas public junior college, they are disbursed on an hour-for-hour basis. If those same hours are used at an out-of-state college, a private college or university or career school, however, they are disbursed at hours enrolled multiplied by the hourly reimbursement rate. If junior college hours are used at a Texas public college or university, the *Plan* will pay actual tuition and required fees and be depleted at a faster rate. Similar logic will apply once junior college hours are depleted and senior college hours are used. See the Plan Benefits Chart on pages 12 - 13 for further information about distributions from 2+2 (Junior/Senior) contracts.

PRIVATE COLLEGE CONTRACTS

Private College contracts disburse at the estimated average cost of tuition and required fees of private colleges and universities in Texas (the

hourly reimbursement rate). The hourly rate for a private contract for the 2012-2013 academic year is \$693.51. When Private College contract benefits are used at a Texas public institution of higher education (a community college or senior college or university), the tuition and required fees of the institution are paid using the hours from the Private College contract at the hourly reimbursement rate, prorating the hours needed to pay tuition and required fees at the institution up to the number of hours available on the contract. The contract purchaser(s) may request a refund of the amount that the hourly reimbursement rate times the hours enrolled exceeds the *Plan's* payment to the institution.

For example, based on the 2012-2013 academic year rates, if the beneficiary is enrolled for 12 hours and the reimbursement rate is \$693.51 per hour, the *Plan* would pay the lesser of \$8,322.12 (\$693.51 per hour multiplied by 12 hours) or the actual tuition and required fees. Therefore, if the actual tuition and required fees are only \$6,000, the purchaser(s) could request a refund in the amount of \$2,322.12 (\$8,322.12 - \$6,000.00). A refund can be requested when payment is made to the institution by submitting a written request to our office signed by the purchaser and joint purchaser, if applicable. See the section "Taxes" for information on taxation of refunds. If the purchaser(s) does not request a refund when actual tuition is less than what the contract would pay for the hours enrolled, only the number of hours needed to pay the actual tuition and required fees would be deducted from the contract and the remaining hours would be available for future use. In the example above, only 8.652 hours would be deducted from the contract (\$6,000.00 divided by \$693.51).

If Private College benefits are used at a Texas private or career school, or out-of-state institution, benefits will pay at the hourly reimbursement rate for the number of hours enrolled, or the actual tuition and required fee charges if less than the reimbursement rate. Again, the amount by which the reimbursement rate exceeds the amount paid to the institution for hours enrolled may be refunded upon submission of a written request to the Board, signed by the purchaser and joint purchaser, if applicable. If your college costs more than the amount paid by the *Plan* for the hours for which you are enrolled, you are responsible for paying the balance of charges due by the payment deadline to avoid cancellation of classes. Full tuition charges may be paid to the college or university with written authorization from the purchaser(s) up to the number of hours available on your contract. See note (6) on Plan Benefits Chart on page 12.

USAGE STATEMENTS

We mail annual statements of usage in January to the primary contract purchaser. Both the primary purchaser and joint purchaser, if applicable,

may access contract information on our website at www.tgtp.org. The contract beneficiary can access the account information on the website one year in advance of the projected high school graduation date. You can establish an account login and view all account activity, including distributions processed to date and hourly balances. You can even print letters for your college or university with up-to-date details about your contract.

Your college or university may credit your account for the estimated amount the contract will pay prior to our receipt of an invoice on your behalf. Our normal processing time for payment of tuition invoices is 30 days from receipt.

STUDYING ABROAD

If you plan to study abroad, please coordinate with the school you are currently attending to see if they can invoice the *Texas Guaranteed Tuition Plan* on your behalf. Distributions for studies abroad usually are paid at the Texas hourly reimbursement rate per plan type for hours enrolled and must be made to Title IV schools. For this reason, your contract cannot be used to make direct payments to an agency coordinating studies abroad; nor can distributions be paid directly to the student or contract purchaser(s).

10-YEAR AUTOMATIC TERMINATION OF CONTRACTS

The account will automatically terminate 10 years after the beneficiary's projected high school graduation date. That date is available online and on the annual statement.

The only exception is if you were on active duty in the U.S. armed services during the 10-year period. In that case, any time spent on active duty will be added to the 10-year period.

The purchaser can cancel the account prior to the termination date by submitting a Cancellation Form. The form is available at the following website: www.window.state.tx.us/taxinfo/taxforms/89-107.pdf.

TO FILE A COMPLAINT

To file a complaint about the program or for a copy of the Board's complaint resolution procedures, call 1-800-445-GRAD (4723), Option 2, or send a letter to:

Texas Prepaid Higher Education Tuition Board
Office of the Comptroller of Public Accounts
P. O. Box 13407
Austin, Texas 78711-3407



This material is provided for general and educational purposes only, and is not intended to provide legal, tax or investment advice. **The information concerning the federal tax consequences of participating in the Plan is general in nature and does not take into account individual circumstances that may affect the tax treatment for a particular individual taxpayer. In addition, the information concerning tax consequences is not a “covered opinion” as that term is defined in IRS Circular 230 and, therefore, it is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.** Contact your attorney or other advisor regarding your specific legal, investment or tax situation.

YOUR TEXAS GUARANTEED TUITION PLAN CHECKLIST

To get the most from your contract, be sure to:

- Verify your contract type – this is explained in the letter you received with your First Time in College packet. Make a copy of the letter for your records.

- Make a copy of your ID cards and put them in a safe place – you’ll need this information if your cards are lost or stolen. An In- or Out-of-State University Enrollment Verification Letter can be printed from our website to present to the college or university as well.
- Contact your school’s billing office – let them know if you’ll be using the *Texas Guaranteed Tuition Plan*. Please give us 60 days notice if you plan to attend an out-of-state school. Verify the costs that have been covered by the *Plan* for every semester. Pay any balance due not covered by your *Plan* in a timely manner to avoid being dropped from classes.
- Make sure all of your information (Social Security number, permanent address, etc.) is correct in your *Plan* information and is on file at your school.
- NEVER include your Social Security number in emails, letters, or faxes to our office. NEVER provide your contract number to someone other than an authorized representative of the school or our office.
- If you receive a scholarship – decide how *Texas Guaranteed Tuition Plan* funds will be used with your school’s billing or financial aid office.
- Keep contact information handy – save the phone numbers of the school’s billing office and the *Texas Guaranteed Tuition Plan* in your cell phone or at another convenient location.

THE TEXAS TUITION PROMISE FUND

The *Texas Guaranteed Tuition Plan* is currently closed to new enrollment.

The *Texas Tuition Promise Fund*, the state’s newest prepaid tuition plan, opened for new enrollment in September 2008. The plan is open for enrollment annually from September 1 through the end of February. Information on that plan is available by calling 1-800-445-GRAD (4723), Option #5, or on our website at www.TexasTuitionPromiseFund.com.

EVERY CHANCE, EVERY TEXAN WEBSITE

Comptroller Susan Combs’ website, *Every Chance, Every Texan*, at www.EveryChanceEveryTexan.org, can help families plan and save for college. The website provides information on careers that will be in demand in the future and the education requirements for various fields. It also includes tools to help families calculate college costs and determine whether they are saving enough money.

THE TEXAS PREPAID HIGHER EDUCATION TUITION BOARD

The Honorable Susan Combs

Chair
Texas Comptroller
Austin, Texas

Mr. Joe Colonna

Dallas, Texas

Ms. Toni Anne Dashiell

Boerne, Texas

Mr. Brian J. Haley

Austin, Texas

Mr. Stephen Mueller

Cypress, Texas

Mr. Ben Streusand

Spring, Texas

Ms. Deborah Zuloaga

El Paso, Texas

QUESTIONS?

For more information, contact the *Texas Guaranteed Tuition Plan* at

1-800-445-GRAD (4723), Option 2,

or access your account information by visiting **www.tgtp.org**

We can also be reached at:

P. O. Box 13407
Austin, Texas 78711-3407
texas.tomorrow@cpa.state.tx.us
Fax number: 512-475-0081

We are located at:

111 E. 17th Street, Room #510
Austin, Texas 78711





TEXAS PREPAID HIGHER EDUCATION TUITION PROGRAM

Comptroller Susan Combs, Chair



TEXAS GUARANTEED TUITION PLAN

For additional information, please call
1-800-445-GRAD (4723), Option 2.

You may also write the Texas Prepaid Higher Education Tuition Board at:

Texas Prepaid Higher Education Tuition Board
Texas Comptroller of Public Accounts
P.O. Box 13407
Austin, Texas 78711-3407

Our internet address is: www.tgtp.org
Publication #96-356. Revised April 2013.

The Texas Prepaid Higher Education Tuition Board and the Texas Comptroller of Public Accounts are equal opportunity employers, and do not discriminate on the basis of race, color, religion, sex, national origin, age or disability in employment or in the provision of any services, programs or activities.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by calling toll-free 1-800-248-4099 or by calling 512-463-4600 in Austin, 512-475-0900 (FAX).