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Holidays

UESP's offices will be closed on:

- Thursday, November 23, 2006
- Friday, November 24, 2006
- Monday, December 25, 2006
- Monday, January 1, 2007

UESP is a Section 529 plan administered and managed by the Utah State Board of Regents and the Utah Higher Education Assistance Authority (UHEAA).

Investors should read the Program Description and consider all investment objectives, risks, charges, and expenses before investing. The Program Description is available on the web at www.uesp.org or by calling 1.800.418.2551.

You could lose the money you invest in UESP. Investments are not guaranteed by UESP, the Board of Regents, UHEAA, the FDIC, or any other state or federal government agency.

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Deadlines - 2006

Contributions to Count in Calendar Year 2006

December is the most popular month for contributions. The deadline for contributions to count in calendar year 2006 is **5 pm MST, Friday, December 29, 2006, in the UESP office.** Mailed contributions postmarked on or before this date, but received by UESP after this date, will be recorded as 2007 tax year contributions.

Do - Ensure adequate time if you are mailing your contribution.

Do - Ensure adequate time to find parking if you are hand delivering your contribution.

Do - Clearly write the beneficiary's name and the account number on your check so the funds are deposited into the correct account.

Don't - Wire transfer or deposit your contribution to UESP's bank account. We are unable to determine to whom such contributions belong.

End of December 2006 Contributions

If UESP receives your contribution during the final business days of calendar year 2006, the contribution will be applied to your account for the 2006 tax year. The contribution will be invested in January 2007 and shown on your March 2007 quarterly statement.

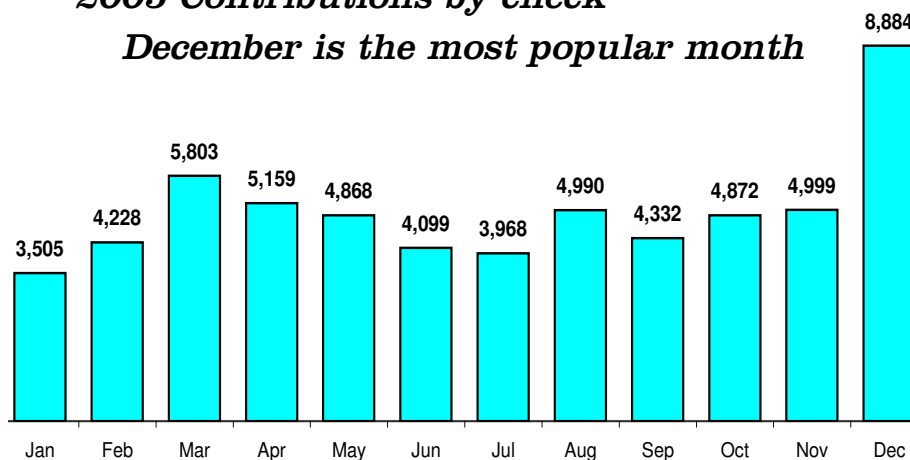
Other Transactions to Count in Calendar 2006

Please submit any requests for investment option changes, transfers, and disbursements as soon as possible. UESP cannot guarantee that requests received after December 15, 2006 will be processed by the end of the year. Help us process your requests by ensuring the forms are timely, complete and legible.

Option changes and internal transfers submitted at the same time as a contribution will be processed after the contribution. Contributions usually take two days to process. (Remember that typically you can only make one option change per calendar year.)

2005 Contributions by check

December is the most popular month



UESP Earnings are Permanently Tax Free

With the passage of the Pension Protection Act of 2006, Congress amended Section 529 of the Internal Revenue Code making the tax-exempt treatment of 529 plan withdrawals permanent when they are used for qualified higher education expenses. Since Utah, like most other states conforms to the federal tax law, all qualified withdrawals from UESP also will be free from Utah state income taxes.

"It adds an element of certainty, which is particularly effective for parents with younger children."

John Heywood, Vanguard Group
InvestmentNews.com
August 14, 2006

Maximum Aggregate Contribution Limit for 2007

The annual contribution limit on all the UESP accounts for a single beneficiary will remain at \$319,000 through 2007. This limit applies to all accounts within UESP for one beneficiary regardless of who is listed as the account owner. This limit, among the highest of all 529 plans nationwide, reflects the current estimated cost of seven years of undergraduate and graduate education at many private colleges across the nation. UESP will re-evaluate the limit in 2007 to reflect then-current costs of higher education.

Utah Taxpayer Account Owner Information

Deduction for Married Filing Jointly

The Utah State Tax Commission has issued a ruling to UESP informing us that beginning January 1, 2007, the Utah state income tax deduction for contributions on UESP accounts will be limited to the account owner only. This means that beginning in 2007, married couples who file a joint return must own two separate UESP accounts for the same beneficiary to claim the full \$3,240 Utah state income tax deduction, rather than making contributions totaling \$3,240 to a UESP account owned by one spouse.

This ruling does not affect Utah married couples who filed joint returns in prior years or who plan to file a joint tax return for 2006. Utah married couples can still claim the full \$3,120 deduction for contributions made to a UESP account owned by one spouse for 2006.

UESP is vigorously working to provide Utah married couples who file joint income tax returns with the ability to claim double the Utah state income tax deduction without requiring each spouse to own a UESP account. To that end, Representative Fred Hunsaker has agreed to introduce a bill to the Utah state legislature in January 2007 that would allow Utah married couples who file a joint return to claim double the Utah state income tax deduction for contributions made to a UESP account without requiring each spouse to own their own UESP account. The Tax Commission has stated in the ruling to UESP that it will not oppose this legislation.

UESP will keep Utah account owners informed of this legislation

as it progresses. Please contact your legislators if you would like their support of the legislation.

Utah account owners should be aware that the legislation, if it is successful, may not be enacted until early March 2007, if at all. Please consult your tax advisor about when you schedule your contributions and whether your spouse should open a second account for the same beneficiary.

Tax Deduction for Roll Overs In and Out and for Other Contributions

As a result of a request from UESP, the Utah Tax Commission has clarified that the Utah state income tax deduction (see related story above) is available for those Utah account owners who rollover investments from other 529 plans to UESP. The deduction is also available to Utah account owners who transfer proceeds from Coverdell Education Savings Accounts or US Savings Bonds into UESP accounts.

When an account owner rolls over money from another state's 529 plan into UESP, or if the account owner contributes to a UESP account with Coverdell ESA or US Savings Bond monies, the principal and earnings are reported to UESP. This amount is eligible for the deduction if the account owner is a Utah taxpayer.

We are required to track earnings in the event that future withdrawals are non-qualified. However, when you make the rollover, you may claim the Utah deduction as long as you have Utah income in the current year.

Please note that if you have taken a Utah state income tax deduction in the past, and you either rollover your UESP account to another 529 plan or you take a non-qualified disbursement from your account, you will have to recapture the tax deduction you took previously. This means you must add the deduction

back to Utah income in the year of the rollover or disbursement. Also, contributions for the year of the rollover out of UESP to another 529 plan do not qualify for that year's state income tax deduction.

2007 State Tax Deduction

In 2007, Utah taxpayers who are UESP account owners can claim a Utah state income tax deduction of \$1,620 (\$3,240 for married couples who file a joint return and each own their own account – see related story above) on their Utah state income tax return. The deduction for 2007 increases by \$60 per taxpayer over the 2006 amount.

Flat Tax and the UESP Deduction

Beginning with the 2007 tax year, Utah taxpayers may choose between the “traditional” method of calculating their Utah income tax and a “flat” tax method. Under the “traditional” method, the UESP deduction is allowed along with other deductions such as home mortgage interest, charitable contributions, and half of the federal tax liability. The top tax rate will be 6.98 percent. Under the “flat” tax method, taxpayers do not receive the above deductions and many others. Taxable income will be subject to a 5.35 percent income tax rate under the “flat” tax.

Please consult your tax advisor regarding the impact of the “flat” tax on your tax situation.

Trust Deduction

If the UESP account owner is a trust, beginning with the 2006 tax year, UESP contributions are NOT deductible. Legislation passed earlier this year disallowed the deduction for trusts effective January 1, 2006. UESP is working with legislators to re-establish the deduction for trusts in the 2007

General Session. If UESP is successful, the legislation would become law in March 2007 at the earliest and in May 2007 at the latest.

Please watch the UESP web site for updates on the progress of the legislation. Contact your legislators to let them know of your interest in this legislation.

Successors and Trusts

Typically, UESP account owners can name a successor account owner in the Account Agreement or on Form 515. Please note, however, that *UESP accounts owned by trusts cannot name a successor account owner* other than the successor trustee(s) named under the trust instrument establishing the trust. Nevertheless, an individual account owner can still name a trust as a successor account owner.



Former Representative Doug Peterson and son Jake

UESP Turns 10 Years Old!

On September 22, UESP celebrated its 10th birthday with cake and balloons. Guests included Duane Hill, the first account owner, accompanied by his two granddaughters who were 1 and 3 years old when he set up their UESP accounts.

Marley wants to be a fashion designer when she grows up and

Kira wants to be a chef who makes nut-free desserts. The girls plan to use their UESP accounts to achieve their educational goals.

The girls helped John, a 25-year-old recent University of Utah graduate, cut the cake. John thanked his parents for setting up his UESP account which helped him graduate without needing student loans. He plans to enroll in graduate school with the remaining funds in his UESP account.

Former State Representative Doug Peterson spoke of the passion he had when he sponsored the Utah legislation creating UESP. He was proud of UESP's growth to the \$1.6 billion it is today. He added to the growth by submitting a new Account Agreement for his 1-year-old son. His other children already have accounts with UESP.

Christine Kearl, Governor Huntsman's Deputy for Education, congratulated UESP and spoke of the importance of encouraging our students to prepare for, participate in, and complete a college education. She emphasized the state's message that postsecondary education enables individuals to become self-sustaining adults who will do more for their families, their communities and the economy.

“The girls have grown. Fortunately, so have their college savings.”

Duane Hill, first UESP account owner
Daily Herald
September 24, 2006

“The job market of today and the skill set needed for a good job today doesn't stop with a high school diploma ... and we want parents to let students know there is an expectation for them to continue on in education.”

Christine Kearl, Governor Huntsman's
Deputy for Education
Deseret Morning News
September 23, 2006

Utah Educational Savings Plan

Investment Option Performance as of September 30, 2006

Investment Options	Latest Month	Latest Three-Months	Latest Quarter End ¹	Year to Date ²	Average Annual ⁴				Inception Date	
					One Year	Three Year	Five Year	Since Inception		
AGE-BASED OPTIONS										
Option 2 - S&P/Bonds/PTIF⁵	0-3	2.44%	5.44%	5.44%	7.89%	9.94%	11.36%	6.38%	1.55%	9/20/99
	4-6	2.27%	5.26%	5.26%	7.33%	9.23%	10.47%	6.12%	1.99%	9/20/99
	7-9	2.11%	5.08%	5.08%	6.78%	8.52%	9.58%	5.87%	2.43%	9/20/99
	10-12	1.94%	4.90%	4.90%	6.23%	7.80%	8.68%	5.61%	2.87%	9/20/99
	13-15	1.64%	4.37%	4.37%	5.46%	6.83%	7.31%	5.05%	3.27%	9/20/99
	16+	1.15%	3.54%	3.54%	4.18%	5.20%	5.02%	4.14%	3.98%	9/20/99
	College Enrolled ³	0.39%	1.17%	1.17%	3.29%	4.20%	2.53%	2.17%	3.10%	9/20/99
Option 3 - S&P and Bonds	0-3	2.53%	5.54%	5.54%	8.17%	10.30%	11.81%	6.51%	1.33%	9/20/99
	4-6	2.53%	5.54%	5.54%	8.17%	10.30%	11.81%	6.51%	1.33%	9/20/99
	7-9	2.53%	5.54%	5.54%	8.17%	10.30%	11.81%	6.51%	1.33%	9/20/99
	10-12	2.44%	5.44%	5.44%	7.89%	9.94%	11.36%	6.38%	1.55%	9/20/99
	13-15	2.27%	5.26%	5.26%	7.33%	9.23%	10.47%	6.12%	1.99%	9/20/99
	16+	2.11%	5.08%	5.08%	6.78%	8.52%	9.58%	5.87%	2.43%	9/20/99
	College Enrolled ³	1.94%	4.90%	4.90%	6.23%	7.80%	8.68%	5.61%	2.87%	9/20/99
Option 7 - Diversified-A	0-3	1.77%	3.33%	3.33%	7.92%	10.41%	14.91%	NA	19.61%	4/1/03
	4-6	1.77%	3.33%	3.33%	7.92%	10.41%	14.91%	NA	19.61%	4/1/03
	7-9	1.59%	3.41%	3.41%	6.86%	8.96%	12.50%	NA	16.30%	4/1/03
	10-12	1.40%	3.49%	3.49%	5.80%	7.51%	10.10%	NA	12.99%	4/1/03
	13-15	1.21%	3.57%	3.57%	4.74%	6.06%	7.69%	NA	9.69%	4/1/03
	16+	1.03%	3.65%	3.65%	3.68%	4.61%	5.28%	NA	6.38%	4/1/03
	College Enrolled ³	0.39%	1.17%	1.17%	3.29%	4.20%	2.53%	NA	2.33%	4/1/03
Option 8 - Diversified-B	0-3	1.43%	3.97%	3.97%	8.25%	10.92%	13.39%	NA	17.19%	4/1/03
	4-6	1.36%	3.94%	3.94%	7.55%	9.95%	12.08%	NA	15.43%	4/1/03
	7-9	1.28%	3.91%	3.91%	6.84%	8.98%	10.76%	NA	13.66%	4/1/03
	10-12	1.21%	3.88%	3.88%	6.14%	8.01%	9.45%	NA	11.90%	4/1/03
	13-15	1.09%	3.59%	3.59%	5.50%	7.14%	8.10%	NA	10.06%	4/1/03
	16+	0.97%	3.31%	3.31%	4.87%	6.28%	6.75%	NA	8.22%	4/1/03
	College Enrolled ³	0.39%	1.17%	1.17%	3.29%	4.20%	2.53%	NA	2.33%	4/1/03
Option 9 - Diversified-Bonds Emphasis	0-3	1.26%	3.70%	3.70%	5.71%	7.40%	9.17%	NA	11.62%	4/1/03
	4-6	1.17%	3.71%	3.71%	5.09%	6.55%	7.91%	NA	9.91%	4/1/03
	7-9	1.09%	3.71%	3.71%	4.47%	5.70%	6.65%	NA	8.20%	4/1/03
	10-12	0.96%	3.46%	3.46%	3.92%	4.96%	5.36%	NA	6.41%	4/1/03
	13-15	0.83%	3.21%	3.21%	3.37%	4.22%	4.06%	NA	4.63%	4/1/03
	16+	0.70%	2.96%	2.96%	2.82%	3.47%	2.77%	NA	2.85%	4/1/03
	College Enrolled ³	0.39%	1.17%	1.17%	3.29%	4.20%	2.53%	NA	2.33%	4/1/03
STATIC OPTIONS										
Option 1 - PTIF⁵	All Ages	0.43%	1.29%	1.29%	3.66%	4.70%	3.03%	2.67%	4.18%	11/1/96
Option 4 - S&P 500	All Ages	2.53%	5.54%	5.54%	8.17%	10.30%	11.81%	6.51%	1.33%	9/20/99
Option 5 - Bonds	All Ages	0.84%	3.73%	3.73%	2.63%	3.16%	2.87%	NA	3.67%	9/9/02
Option 6 - Diversified Stocks	All Ages	1.77%	3.33%	3.33%	7.92%	10.41%	14.91%	NA	19.61%	4/1/03

Important Information Regarding Investments in UESP:

Past performance does not guarantee future results; investment return and the value of the investment will fluctuate; the value of your account, when redeemed, may be worth more or less than the amount you contribute. You could lose money. The performance numbers listed above are that of the investment options, not individual accounts. Actual performance may be higher or lower than the option performance. Investors should read the Program Description and consider all investment objectives, risks, and charges and expenses associated with a UESP account before investing. Returns are based on a \$10,000 account balance for non-Utah residents and are net of all fees. Actual performance for Utah residents may be higher. Residents of states other than Utah should consider whether the state in which they or their beneficiary resides or pays taxes offers any state tax or other benefits that are only available in that state's 529 plan.

1 UESP quarterly reporting periods end each March 31, June 30, September 30, and December 31.

2 Year-to-date calculations are based on a calendar year; January 1st to the current month end date.

3 UESP will reallocate all funds to the "College Enrolled" investment bracket on age-based accounts when UESP receives a disbursement request form indicating the beneficiary's enrollment in college.

4 Average Annual Return for the trailing 12 months, 36 months, and 60 months.

5 Public Treasurer's Investment Fund (PTIF) is a pool of money managed by the Utah State Treasurer in short-term investments.