In our article in Sunday's *Outlook* on saving for college through 529 plans we mentioned that some states permit deposits to be deducted when computing state income tax, but we did not include the resulting tax savings in our calculations. A number of readers contacted us and chided us for not doing so. We also incorrectly reported the annual administrative costs of the Maryland intermediate risk plan. Including these two changes in our calculations (see corrected table below) strikingly reinforces our conclusion that states can and should negotiate low administrative costs and that, if they can, people should shift their funds to plans in states with low administrative costs.

All three national capital area jurisdictions permit deposits to 529 plans to be deducted from state income taxes. Maryland, DC, and many other states allow owners of 529 plans to rollover balances in such plans to similar plans in other states without repaying the tax savings that result from deducting the deposits. Maryland allows such rollovers after one year, DC after two years. If residents of Maryland and the District use this rollover option to milk the treasuries of their own jurisdictions of tax savings and then shift to the low-cost Utah plan. For the assumptions we used, the gain from rolling over is large—$2,978 for Maryland residents, $8,802, for DC residents. State income tax savings for DC residents more than offset all administrative costs on a self-directed plan.

Virginia's residents are not so fortunate. Virginia allows roll overs, but requires owners of balances under its plans to repay any tax savings plus a $25 fee if they shift balances to another plan. As a result, Virginia residents will gain nothing from rolling over Virginia accounts to Utah (this comparison is not shown in the table). In other words, by contracting with a high-cost financial manager, Virginia's officials in effect cause their own residents to give their state income tax savings to the company that manages the Virginia 529 plan.

Finally, despite repeated calls, we regret that our calculations last week were based on incorrect information on Maryland's annual administrative charges. We reported that the cost is 1.5 percent of funds on deposit; the correct figure is 1.12 percent.

The following table takes these modifications into account.

Total Accumulation and Investment Income under 529 Plans of Various States
Annual cost to saver of $3,000; Annual investment return of 5 percent
Including front-end state income tax deduction for family with $40,000 of taxable income

State	Total, No fees no front-end deduction	Utah plan for Utah residents	Virginia		Maryland		District of Columbia		
			Self-directed	Broker directed	Keep in-state	Roll over to Utah every year	Self-directed, moderate risk. Keep in-state	Self-directed, moderate risk. Roll over to Utah after two years	Broker directed, high risk.
Total fund accumulation	86,507	85,877	81,128	78,209	81,479	84,457	80,767	89,569	71,902
Total investment income	32,507	31,877	27,128	24,209	27,479	30,457	26,767	35,569	17,902
Cost of administration	0	630	5,379	8,298	5,028	2,050	5,740	(3,062)	14,605