

Information Only

Some recent changes to 529 Plans effective January 1, 2018:

529 Contributions

- Contribution rules remain the same.
- All contributions must be made with cash, so accounts are funded with after-tax dollars.
- Anyone who gifts to a 529 Plan on behalf of the child can contribute up to \$14,000 per year, per child. This means that a married couple could potentially gift up to \$28,000 per child per year.
- There is also a special rule in that allows someone to "supercharge" contributions, by making a lump-sum gift to a 529 Plan to cover up to five years of contributions at one time. This means that someone could contribute up to \$70,000 at once. If they decide to "supercharge" contributions, then they must wait to contribute again based on the amount of the contribution (i.e., if \$70,000 is contributed they must wait 5 years, \$56,000 must wait 4 years, \$42,000 must wait 3 years, and so on).
- Some states have a limit on how much one beneficiary can have in a 529 Plan at any given time. That limit is typically around \$300,000, but it can vary from state to state. This total includes contributions and earnings, so if the total reaches over that amount then no additional contributions can be made.

529 Distributions

- Distributions can be taken out for **qualified educational expenses** without incurring tax on either the contributions or the earnings. This includes things such as tuition and books.
- Distributions that are taken out for non-qualified expenses may be taxable. The earnings on non-qualified distributions are taxed as ordinary income in addition to a 10% federal tax penalty (and potentially a state penalty also).
- **Distributions for education through post-secondary (i.e., anything through high school)** can be made for qualified educational expenses up to \$10,000 per student per year for tuition at a public, private, or religious elementary or secondary school.
- Distributions for post-secondary education can be made for qualified educational expenses in any amount as long as it is qualified and eligible for reimbursement.
- If a scholarship is awarded to a beneficiary, then only those qualified educational expenses that are NOT covered by the scholarship are eligible to be distributed.

Please remember that this information is not meant to be taken as tax advice. Please make sure that you consult a qualified tax specialist before you proceed.