



QUALIFIED TUITION PROGRAM

Qualified Tuition Program (QTP): A qualified tuition program (also known as a 529 plan for the section of the Tax Code that governs them) may be a state plan or a private plan. A state plan is a program established and maintained by a state that allows taxpayers to either prepay or contribute to an account for paying a student's qualified higher education expenses. Similarly, private plans, provided by colleges and groups of colleges, allow taxpayers to prepay a student's qualified education expenses. These 529 plans have, in recent years, become a popular way for parents and other family members to save for a child's college education. Though contributions to 529 plans are not deductible, there is also no income limit for contributors.

529 plan distributions are tax-free as long as they are used to pay qualified higher education expenses for a designated beneficiary. Qualified expenses include tuition, required fees, books and supplies. For someone who is at least a half-time student, room and board also qualifies as higher education expense.

A benefit of 529 plans is that earnings are generally exempt from federal and possibly state income tax as long as they are used to pay qualified higher education expenses. You should consult your tax advisor to confirm this treatment based on your individual facts and circumstances.

Under the Tax Cuts and Jobs Act signed into law on December 22, 2017, the definition of qualified higher education expenses was expanded to include public, private, and religious elementary and secondary schools. The law does limit the tax-free distribution amount to an aggregate of \$10,000 per student per year when used for expenses with respect to elementary and secondary schools. The \$10,000 per student per year limitation does not apply to distributions for post-secondary school expenses.

Helpful Link:

IRS Website - 529 Plans: Questions and Answers

<https://www.irs.gov/newsroom/529-plans-questions-and-answers>

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