

CHRISTIAN FAMILY & CHILDREN'S CENTER



Providing Christian Programs for the Family

2166 Indian Head Road, Champion, PA 15622

1076 King's Way Donegal, PA 15628

North Campus (724)-593-9200

FAX 724-593-9210

South Campus (724)-455-2122

FAX 724-455-6651

www.champion.org email: info@champion.org

Pennsylvania 529 FAQs

What is a "529 plan"? Named for Section 529 of the U.S. tax code, a 529 plan is a **tax-advantaged investment plan** operated by a state to encourage saving for **education expenses**. As there is risk when investing in a 529 account, we are required to advise readers to talk to a financial advisor.

What are the qualifying education expenses? Following the passage of 2017's Tax Cut and Jobs Act, funds in a 529 plan may be used for tuition, books, fees, computer technology, or room and board at a qualifying college *and* for **up to \$10,000 in tuition at a K-12 private or religious school**.

What is the federal tax advantage for using a 529 plan?

The growth of your investment is not subject to federal taxation as long as funds are used for qualifying educational expenses. There is no federal deduction allowed for contributions.

What are the tax advantages in Pennsylvania of investing in a 529 plan? In addition to tax-free growth on the investment, **taxpayers in Pennsylvania who contribute to any 529 plan may deduct up to \$15,000 (\$30,000 for joint filers) from their taxable income**. This is one of only 3 available deductions on Pennsylvania income tax. At PA's 3.07% tax rate, this could result in a reduction in taxes owed of up to \$921 on a \$30,000 contribution.

Who may donate to a 529 account? Anyone may contribute to a 529 plan for any beneficiary. **Any Pennsylvania taxpayer contributing to a 529 plan may take a deduction, regardless of who the beneficiary is.**

Can funds in a 529 account be used for K-12 tuition in another state? Yes, the funds can be used to pay **K-12** tuition expenses in any other state.

Can the beneficiary on an account be changed? Yes, a beneficiary may be changed at any time, and **changing the beneficiary among siblings will not incur a tax liability**. However, if the new beneficiary is not a sibling of the original beneficiary, there may be a tax due on the growth of the investment.

Is there an annual limit on how much one person may donate to a 529 plan? 529 contributions are counted as a "gift" for federal taxes, so more than \$15,000 to a single beneficiary could trigger a gift tax on further giving.

Is there an annual limit on using a 529 account for K-12 tuition expenses? Yes, the **maximum amount that can be distributed tax-free per calendar year is \$10,000 per student**, regardless of the number of 529 accounts.

"Educating, Equipping, and Engaging the World for Christ"



Can an existing 529 account be used for K-12 expenses? Yes, there are no federal or Pennsylvania restrictions on using funds in a 529 account for K-12 tuition in 2018 and beyond. However, since some states' plans do not recognize K-12 tuition expenses, be sure to check with your plan manager for any plan other than PA529

Where can further information be found? The Pennsylvania Treasury Department has issued new guidance that adopts the recent change in Federal law regarding the use of 529 plans for K-12 expenses and below is some of the new guidelines along with a link to the new PA 529 guidance.

- Account owners can use assets to pay for qualified K-12 tuition expenses up to \$10,000 per year, per student.
- Account owners can treat qualified K-12 withdrawals as qualified expenses with respect to the **federal and Pennsylvania state** tax benefits.
- Account owners can roll over 529 plans to Achieving a Better Life Experience (ABLE) savings plans (an IRC Section 529 A plan), up to the ABLE annual contribution limit as determined under IRC Section 2503(b). However, a taxpayer may not claim a deduction for the rollover amount on their PA-40 return.

For additional guidance on these new provisions, account owners should consult the Pennsylvania Department of Revenue at www.revenue.pa.gov or by calling 717-787-8201 or consult a qualified tax advisor about your personal situation.