



Tax Exempt & Government Entities

Tax Cuts and Jobs Act – EO Provision

529 Account Funding for
Elementary & Secondary Education
IRC Section 529 – Provision 11032

Training based on TCJA guidance issued through
September 30, 2018



Section 529 Programs

- Before new law, certain colleges & universities could sponsor prepaid tuition programs under Section 529
- States may sponsor prepaid & savings programs
- [Pub 970](#), Tax Benefits for Education, for details
- IRS doesn't have jurisdiction over:
 - Determination of plans
 - Distributions



Qualified Tuition Programs

- Contributions to Qualified Tuition Programs (QTP) are considered gifts under federal gift tax regulations
- Section 529 requires:
 - QTPs sponsored by eligible educational institutions must hold amounts in a qualified trust
 - Such plans need a determination or ruling from Associate Chief Counsel
 - State plans don't need a determination or ruling

- Section 529(c)(7) Treatment of Elementary and Secondary Tuition -
 - “Qualified higher education expense” shall include tuition at an elementary or secondary public, private or religious school
 - The amount of all cash distributions from all QTPs during any taxable year is limited to \$10,000
- Effective for distributions made after 12/31/2017



Compliance Concerns

- The ability exists for multiple taxpayers to claim tax-free distributions relating to same beneficiary
 - The IRS is considering options to address compliance issues generated by the:
 - Expansion of qualified expenses to K-12 education
 - Associated limitations

- Filed under the authority of IRC 6050S
- Filing this form does not apply to IRC 529
- Form 1098-T reports:
 - Amounts billed for qualified tuition and expenses,
 - Other related information

- IRC 529 expanded to include tuition expenses of \$10,000 or less per tax-year for K-12 schools
 - The qualification of distributions for Federal tax purposes will not be impacted by:
 - A state's decision to participate in 529 plans
 - The deductibility of contributions to such plans
 - The law did not modify the allowable contributions to 529 plans or related deductions provided by states

- **IRC 529 Plans**
 - Were expanded to cover K-12 schools
 - Do not require states to obtain determinations
 - Are not required to be reported on Form 1098-T
 - The ability still exists for multiple taxpayers to claim tax-free distributions relating to same beneficiary