



529 Plan Expansion Can Help Christian School Families

The recently passed Tax Cuts and Jobs Act includes a significant school choice option that parents can use immediately: 529 savings accounts for Christian K-12 education. The federal Tax Cuts and Jobs Act reform bill expanded qualified uses of the already existing 529 plans, a tax-advantaged savings plan for higher education costs, so that **as of January 1, 2018, 529 savings accounts can now be used for K-12 expenses without incurring any federal tax penalty.** Deposits in these savings plans are exempt from federal taxes, and most states offer additional tax benefits for contributions to the plans, making these an enticing way to save for educational expenses.

With this new opportunity, there are several things schools and parents should keep in mind:

1. **Verify:** *Verify your state's treatment of 529 accounts.* For parents who already have a 529 savings account, parents should verify whether their state will apply the same tax benefits to K-12 education expenses as higher education. Several states will have to update their tax codes in order for their programs to reflect the federal change in 529 plans, and some states might respond by withholding tax benefits from 529 plans used for K-12 expenses.

Some states that automatically adjust to federal law:

- Indiana
- Illinois
- New York
- Utah

Some states that need to adjust their laws:

- Iowa
- Maine
- Nebraska

2. **Investigate:** *School leaders and parents interested in taking advantage of these newly expanded 529 plans, should check with their state's provider on specific deductibles or tax credits.* Some states even allow residents to take advantage of 529 plans opened in other states. Parents should investigate across state lines to see if there are cost-effective programs in other states. See the **included chart** for basic features and benefits of different state plans.
3. **Ask:** Forty-nine states plus the District of Columbia have at least one 529 program. To find one that is best for you, and to navigate the seemingly endless investment options, *reach out to your state's provider by visiting your state's 529 website or talk to a financial professional.* They can help you gather all the tools and information you need to make an educated decision about your child's future.

National Office

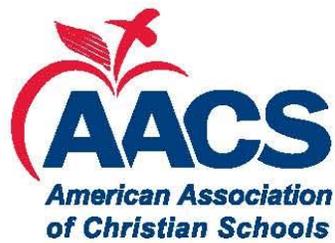
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4. **Engage:** Many state legislative sessions have already begun, and 529 treatment at the state level will be addressed in this session. AACCS members are encouraged to engage in the legislative process to help expand the tax treatment and benefits of these programs. We have a great opportunity to find ways to help families pay for their children's education in our schools.

To help schools and parents navigate the new change in law, included is a **chart of state 529 plans** and the **2018 state legislative sessions calendar**. We are sending these resources to help you navigate this important advance in school choice. For more information on 529s, see the resources listed at the bottom of this memo or visit your state's 529 website.

[State-529-Fact-Table.pdf](#)

[2018-State-Legislative-Calendar.pdf](#)

Resources:

- <https://www.thebalance.com/best-states-for-college-savers-3193238>
- <http://apr.org/post/congress-changed-529-college-savings-plans-and-now-states-are-nervous#stream/0>
- <http://www.house.leg.state.mn.us/hrd/pubs/ss/ss529plan.pdf>
- <https://www.blackrock.com/investing/literature/brochure/529-plans-and-state-tax-benefits-client-piece-en-us.pdf>
- http://www.savingforcollege.com/college_savings_201/
- <https://www.brookings.edu/research/a-tax-break-for-dream-hoarders-what-to-do-about-529-college-savings-plans/>
- <https://www.businesswire.com/news/home/20150713005759/en/Nevada-Passes-Landmark-529-Tax-Credit#.VaUAyZOrSRv>
- <https://www.heritage.org/education/report/improved-and-expanded-529-savings-plans-create-more-opportunities-families>

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