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
• 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
Form 1098-T

- 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