



CATHOLIC
EDUCATION
PARTNERS

Virginia 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 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 Virginia of investing in a 529 plan?

In addition to tax-free growth on the investment, **taxpayers in Virginia who contribute to the state-run Virginia 529 plan may deduct up to \$4,000 (\$8,000 filing jointly) per beneficiary from their taxable income.** At a tax rate of 5.75%, a contribution of \$8,000 could lower taxes owed by \$460.

Who may donate to a 529 account?

Anyone may contribute to a 529 plan for any beneficiary. **Any Virginia taxpayer contributing to a Virginia 529 plan may take a deduction, regardless of who the beneficiary is.**

Can funds in a Virginia 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 changes in beneficiary among family members will not incur a tax liability. However, if the new beneficiary is not a family member 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?

The federal gift tax applies to donations larger than \$15,000 per year. However, 529 accounts may be pre-funded with 5 years’ worth of gifts (\$70,000 individually or \$140,000 for a married couple filing jointly) without incurring the tax, so long as no further gifts are made for 5 years.

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.

Can an existing 529 account be used for K-12 expenses?

Yes, up to \$10,000 may be spent tax-free annually on K-12 tuition in 2018 and beyond.

Where can further information be found?

To learn more and to see options for enrolling in Virginia 529 visit Virginia529.com.

Disclaimer:

This fact sheet is not intended to provide tax or legal advice. If you are considering using a Virginia 529 plan for K-12 purposes and you have specific questions about your impact, please seek guidance from a tax professional and/or an attorney. This document is subject to change.