



**The history of 529 plans shows growing access, coverage and opportunity for many educational needs and expenses.**

## CollegeBound 529: Qualified expenses and legislative changes

**From 1996 to present, forty-nine states<sup>1</sup> and the District of Columbia offer Section 529 plans to their residents.** Legislative changes have continuously improved 529 plans and how they can be used. Recent changes have expanded qualified expense coverage and increased potential beneficiary benefits.

- 1996** **Small Business Job Protection Act of 1996**  
Added Section 529 to the Internal Revenue Code. Allowed for after-tax contributions and tax deferral on earnings used for qualified expenses.
- 1997** **Taxpayer Relief Act of 1997**  
Added room and board as qualified expenses.
- 2001** **Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001**  
Added tax-free treatment for qualified distributions.  
Due to federal budget constraints, EGTRRA stated that all tax provisions within the new law would expire on December 31, 2010.
- 2006** **Pension Protection Act of 2006**  
Made all EGTRRA changes to Section 529 permanent.
- 2014** **Achieving a Better Life Experience Act (ABLE 529A) of 2014**  
Created ABLE (529A) accounts for the purpose of saving for a disabled beneficiary's special needs.
- 2017** **Tax Cuts and Job Act of 2017**  
Expanded 529 plans to include K-12 school tuition costs up to \$10,000 per year per child. Also allowed rollovers from 529 plans to ABLE (529A) accounts.
- 2019** **Setting Every Community Up for Retirement (SECURE) Act 2019**  
Expanded use of 529 plans to cover student loan repayments and to pay for expenses related to apprenticeship programs, as long as the program is registered with Department of Labor
- 2022** **Setting Every Community Up for Retirement (SECURE) Act 2022**  
Effective 2024, beneficiaries of college savings accounts may transfer unused funds directly to a Roth IRA. Certain rules and restrictions apply.

1. Wyoming does not offer 529 plans to their residents.



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### Qualified expenses for 529 plans\*

- **Tuition and fees** for any post-secondary educational institution that are eligible to participate in the federal student aid program are allowed (College, community colleges, graduate schools and even some international schools).
- **Vocational and trade school tuition.** Fees and expenses related to apprenticeship programs provided that the program is registered with Department of Labor. These types of schools include trade schools.
- **Elementary or secondary school tuition.** The Tax Cuts and Jobs Act of 2017 opened up the use of 529 funds at public, private or religious elementary schools. Although the money may come from multiple 529 accounts, only \$10,000 total can be spent each year per beneficiary on elementary, middle, or high school tuition.
- **Room and board.** On and off-campus room and board is a qualified expense for students who are enrolled at least half time. Off-campus housing and rental fees are covered up to the cost of room and board on campus.
- **Food and meal plans.** Meal plan for on and off-campus students is allowed to be paid for by 529 funds.
- **Books and supplies.** Any supplies required for classes are allowed, which include textbooks, pens, paper and more.
- **Electronic devices.** Any electronics that are required by the college are covered. This includes laptops, iPads and calculators.
- **Computer software.** Just like with the electronics, if specific software is required for classes, then it is allowed to be paid for with 529 funds.
- **Internet services.** 529 funds can be used to pay for internet access or ISP fees.
- **Special needs equipment.** If a student has special needs, then any services or equipment may be covered. This may include things like transportation and wheelchairs.
- **Business startup purchases.** If a student wants to start a business after graduation, some business equipment can be expensed if also used in the final years of college.
- A lifetime limit of \$10,000 can be used to **repay the 529 beneficiary's student loans**, including federal and most private loans. An additional \$10,000 can be used to repay student loans held by each of the beneficiary's siblings.

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### Non-qualified expenses for 529 plans

- **College application and testing fees** are not considered qualified expenses as those precede the beneficiary's attendance at an eligible institution.
- **Transportation costs.** Transportation to and from the qualified institution are not considered qualified expenses.
- **Extracurricular activities.** Joining a sport, fraternity or sorority comes with additional costs that are not covered by the 529 plan. You may be able to use the 529 plan savings to pay for fraternity or sorority housing costs (up to the college's room and board allowance amount), but semester dues are considered a non-qualified expense.

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This information is provided for general educational purposes only and is not to be considered legal or tax advice. Investors should consult with their legal or tax professionals for personalized assistance, including information regarding any specific state law requirements.

Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes.

\*Qualified expenses as of 2020 (source: [www.irs.gov/pub/irs-prior/p970--2019.pdf](http://www.irs.gov/pub/irs-prior/p970--2019.pdf)). Federal law defines the expenses that colleges must include in calculating their cost of attendance. Most colleges publish those costs on their websites and elsewhere.

**Before you invest, consider whether your or your beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's qualified tuition program.**

**For more information about CollegeBound529, contact your financial professional, call 877 615 4116, or visit [collegebound529.com](http://collegebound529.com) to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing. Invesco Distributors, Inc. is the distributor of CollegeBound529.**