

# 529 Tax Credit Information

## 1. What is a 529 plan?

*A 529 plan is a tax-advantaged savings plan designed to encourage saving for future college costs. 529 plans, legally known as “qualified tuition plans,” are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code.*

*Prior to 2018, a 529 plan could only be used tax free towards college expenses. However, starting in 2018, a provision in the Tax Cuts and Jobs Act of 2017 allows up to \$10,000 per student to be used tax-free for the cost of private elementary and post-secondary education expenses.*

## 2. What if I live in MN and I contributed in 2017 to a 529 plan?

*Beginning in 2017, Minnesota taxpayers who contributed to a section 529 college savings plan may be eligible for either a subtraction from their MN taxable income or a credit against MN income taxes owed. The credit is 50% of the 529 contributions made during 2017, up to a maximum of \$500. The deduction is for contributions to a 529 plan, up to \$1,500 for single taxpayers and up to \$3,000 for married filing jointly. The credit phases out at higher income levels; the subtraction does not. Taxpayers may claim the credit or subtraction by filing Form M1529 with their MN tax return. They also need to retain proof of the 529 contributions.*

*Please consult with your tax advisor on the details of this MN credit/subtraction if you decide to use for private elementary or post-secondary education.*

## 3. Can I have multiple 529 accounts for secondary, post secondary and college accounts?

*Yes, however, contribution limits to 529 plans are aggregated on a per beneficiary basis. If you want to put money aside for either private elementary or post-secondary as well as money towards college expenses in 529 accounts you may use one or multiple 529 plans. Keep in mind that money used for private elementary or post-secondary education expenses is no longer available for future college expenses.*

*A grandparent can also open a 529 plan in your child(ren's) name and contribute. They would also be able to receive the income credit or deduction for their taxes.*

## 4. Can I use money I put into a 529 towards the cost of tuition at Central MN Christian School?

*Yes, up to \$10,000 annually per student. Although the money may come from multiple 529 accounts, it will be aggregated on a per beneficiary basis, and any distribution amount in excess of \$10,000 will be subject to income and a 10% federal penalty tax.*

**Please visit the school's website for this information and a link to a podcast by Taatjes Financial Group that explains the changes to the 529 tax credit. Please consult your tax or financial professional for specific details about your financial situation, as CMCS does not provide tax or financial advice.**