



## CATHOLIC EDUCATION PARTNERS

### Ohio 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 Ohio of investing in a 529 plan?**

In addition to tax-free growth on the investment, **taxpayers in Ohio who contribute to the state-run CollegeAdvantage plan may deduct up to \$4,000 per beneficiary from their taxable income**. At a tax rate of 3.5%, contributions of \$4,000 apiece to two separate 529s could lower taxes owed by \$280.

#### **Who may donate to a 529 account?**

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

#### **Can funds in a CollegeAdvantage 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 siblings will not incur a tax liability.** However, if the new beneficiary is not a sibling 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?**

529 contributions are counted as a “gift” for federal taxes, so more than \$15,000 to a single beneficiary could trigger a gift tax on further giving.

#### **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, there are no federal or Ohio restrictions on using funds in a 529 account for K-12 tuition in 2018 and beyond.** However, since some states’ plans do not recognize K-12 tuition expenses, be sure to check with your plan manager for any plan other than CollegeAdvantage.

#### **Where can further information be found?**

To learn more about Catholic schools in Ohio, visit [OhioCathConf.org](http://OhioCathConf.org). To see options for enrolling in CollegeAdvantage visit [collegeadvantage.com](http://collegeadvantage.com).