



Catholic Diocese  
of Cleveland



CATHOLIC  
EDUCATION  
PARTNERS

## Using Ohio's 529 Savings Plan to Pay for K-12 Catholic School Tuition

### 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 family members will not incur a tax liability.** The applicable definition for family member is generous and may be found in plan disclosure documents.

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

#### Where can further information be found?

To learn more about Catholic schools in the Diocese of Cleveland, visit [docatholicchools.org](http://docatholicchools.org). To see options for enrolling in CollegeAdvantage visit [collegeadvantage.com](http://collegeadvantage.com).