

## 529 Plan Changes Under the OBBBA

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With the passage of the One Big Beautiful Bill Act (OBBBA), education planning has become more flexible, and potentially more powerful, for families using 529 plans. While these accounts have long been a popular tool for tax-advantaged saving, the new law broadens how funds can be used, offering expanded benefits across K–12 and postsecondary education.

For families looking to support the educational goals of their children and grandchildren, or to fund their professional development, these updates create new opportunities to align planning with long-term goals.

### **Expanded 529 Uses for K–12 Education**

Previously, 529 plan distributions for K–12 education were limited to \$10,000 per year for eligible expenses. That annual limit has increased to \$20,000, and the scope of eligible expenses expanded significantly. Families can use 529 funds this year to reimburse these newly eligible expenses, even if they were incurred earlier in the year, as long as the distribution happens after July 4, 2025.

### **Effective July 4, 2025, tax-free 529 plan distributions may also be used for:**

- Curriculum and educational materials, including textbooks and online resources
- Qualified tutoring, as long as the tutor is not related to the student and meets basic credentialing standards
- Standardized testing fees, including ACT, SAT, and AP exams
- Dual enrollment fees for college-level courses taken during high school
- Educational therapy for students such as speech-language, occupational, behavioral, and physical therapy

### **New Coverage for Professional Credentialing and Career Development**

OBBBA also introduces the ability to use 529 funds for postsecondary credentialing programs, offering a strategic benefit for adult children and working professionals. This change makes 529 plans a compelling tool not just for those funding primary education and college degrees, but for those acquiring professional licenses and certifications.

### **Tax-free distributions from a 529 can now be used for:**

- Tuition and required materials for credential or licensing programs
- Exam fees needed to obtain or maintain a credential
- Continuing education requirements related to licensure

Eligible programs include:

- Accredited credentialing or certification programs
- Department of Labor–registered apprenticeships
- Professional licenses (federal or state-recognized)
- Other qualifying postsecondary credentials defined under federal workforce law

## Permanent Extensions for ABLE Accounts

OBBBA also includes two important, permanent changes that impact ABLE accounts (529A plans)—used to support individuals with disabilities:

- Section 70115: Makes permanent the rule allowing annual contributions up to the federal gift tax exclusion plus the beneficiary's earned income (up to the federal poverty line).
- Section 70117: Permanently allows tax-free rollovers from 529 plans to ABLE accounts, providing flexibility for families managing changing needs or unused 529 balances.

## Conclusion

These changes, in addition to the \$35,000 529 to Roth IRA rollover option created by the SECURE Act 2.0, grant families more options to utilize 529 plans without paying fees or penalties for non-qualified education expenses. Education strategies can vary significantly based on families goals and needs, so we recommend reviewing your options with your wealth consultant and tax advisor to determine a plan that achieves tax efficiency and flexibility. Reach out to our team if you'd like to learn more about how these changes can fit into your education planning strategy.

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