

529 Plan Questions & Answers

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on, for tax, financial planning, or accounting advice. You should consult your own financial advisors before engaging in any transaction.

Q: *What is a 529 Plan?*

A: A plan operated by a state or educational institution, with tax advantages and potentially other incentives to make it easier to save for college and other post-secondary training, or for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school for a designated beneficiary, such as a child or grandchild.

Q: *What is the main advantage of a typical 529 plan?*

A: Earnings are not subject to federal tax when used for qualified education expenses of the designated beneficiary, such as tuition, fees, books, as well as room and board at an eligible post-secondary education institution and tuition at elementary or secondary schools. Contributions to a 529 plan, however, are not deductible.

Q: *How do I make contributions to a 529 Plan?*

A: There are many 529 Plan options available offered by a variety of states which are accessible to residents of any state.

Visit <https://www.savingforcollege.com/> for information on the various plans.

Visit [California 529](#) for information on California's 529 plan.

Q: *Can I use 529 Funds to pay for Tuition at Orange Lutheran?*

A: Yes. You can withdraw up to \$10,000 per student (beneficiary), per year tax free to pay for Tuition.

Q: *What are Qualified Education Expenses?*

A: For secondary education, Qualified Education Expenses means Tuition Only.

Q: *When can I withdraw money from my 529 plan?*

A: Because the tax law is new, many of the state 529 plans are still updating their tax codes to allow for the same benefits to be applied to K-12 expenses. Please contact your plan

administrator before withdrawing funds for K-12 as penalties may apply if you withdraw before your plans state tax code is updated.

Q: *How much can I withdraw annually tax free?*

A: \$10,000 per student (beneficiary), per calendar year for tuition at a K-12 school.

Q: *How do I withdraw funds from my 529 for Orange Lutheran Tuition?*

A: Please refer to your plan withdrawal instruction for details. Most plans allow for a variety of withdrawal options for check or ACH distributions.

Payee options for check distributions generally include:

- Account Holder
- Beneficiary (Student)
- Institution

If you would like to set up an ACH electronic transfer, please contact the Business Services Office. Please make sure to allow sufficient time to receive your distribution
DO NOT ISSUE CHECKS DIRECTLY TO FACTS.

Q: *How does this affect my payment plan?*

A: Generally, your selected payment plan (Annual, Semester, Monthly) will not be affected by your 529 withdrawal. Within a calendar year, you can withdraw up to \$10,000 to cover tuition paid. Note that the school term is not relevant but rather the payments made for tuition during a calendar year.

If you have a special circumstance that requires attention, please contact the Business Services Office.

Q: *Will Orange Lutheran provide form 1098-T?*

A: The tax law is unclear on whether or not this will be required for secondary education. If required, Orange Lutheran will provide a form 1098-T when requested, in writing, by December 31st. Please submit your written request to the Business Services Offices.