



## 5 Ways the New Tax Law Expands 529 Plan Benefits

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For years, tax-advantaged 529 education savings plans have been one of the most popular college savings vehicles due to their ease and flexibility. They now offer an even broader range of benefits thanks to the One Big Beautiful Bill Act (OBBBA) which was signed into law in July 2025.

### What is a 529 plan?

Established in 1996 under Section 529 of the Internal Revenue Code, 529 plans are versatile savings accounts that offer federal—and sometimes state—tax benefits while minimizing the impact on financial aid. They are operated by state or educational institutions and are designed to help families set aside funds for future education costs. The plans are offered by most states and are typically open to all savers, not just their own residents.

Below are five ways these plans may be an even more valuable planning tool for parents, grandparents, and adults looking for a tax-smart way to pay for education, professional development, and other training in the years ahead.

#### 1. K-12 annual qualified withdrawal limit doubles in 2026

Originally limited to paying for college-related expenses, the Tax Cuts and Jobs Act (TCJA) of 2017 expanded the use of 529 assets to pay up to \$10,000 per year, per student, for qualified elementary and secondary

public, private, and religious education expenses. The OBBBA increased this amount to \$20,000 per year, per student, beginning in 2026.<sup>1</sup> (Keep in mind, not all states have adopted this federal provision. Participation in a state plan that has not adopted this provision would cause K-12 withdrawals to be taxable and subject to penalties.)

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**Effective January 1, 2026, up to \$20,000 per year, per student may be used to pay for qualified K-12 education expenses.<sup>1</sup>**

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## 2. K-12 benefits expand beyond tuition costs

Effective July 2025, the new law also expanded the definition of “qualified expenses” for K-12 education to include non-tuition costs.<sup>2</sup> These expenses, as defined under applicable IRS and state guidance, may include:

- Books and curriculum materials
- Standardized testing fees
- Tutoring services (certain restrictions apply)
- Online education
- Enrollment in college courses taken during high school
- Certain educational therapies for students with disabilities

You may also be able to use 529 assets for homeschooling expenses if you live in a state that recognizes homeschooling as a form of private schooling.

While this increased flexibility can be helpful, there are some considerations to keep in mind. Private schools may want more information about a family’s 529 savings and could take it into account when determining financial aid. Additionally, using 529 withdrawals for K-12 expenses may reduce college savings. This can shrink both the total dollar amount saved and the time over which account earnings benefit from tax-deferred compounding, which is a primary benefit of a 529 plan.

## 3. Plans cover a wider range of program and training costs

The OBBBA expanded the use of 529 plan assets to pay for credential programs such as welding, aviation mechanics, and other trade certifications. Covered expenses include tuition, testing fees, and costs for books, equipment, and continuing education required to obtain or maintain a professional credential. Continuing education required to obtain or maintain certifications is also covered, including:<sup>3</sup>

- Preparation and exam fees for professional licenses and certifications, such as CPA exam prep and fees, bar exam review and registration costs, and licensing exams for fields like law, accounting, and finance.
- Training and certification for skilled trades and vocational careers, including Commercial Driver’s License (CDL), plumbing, electrical work, welding, HVAC, or cosmetology.

## 4. ABLÉ account eligibility age increases

In 2017, the TCJA ushered in welcome relief for parents, grandparents,

and adults with disabilities, allowing the ability to roll over any unused 529 education plan funds to a 529 ABLÉ account. Money in these accounts can be withdrawn tax-free when the funds are used to pay for a broad range of qualified expenses, including education, housing, transportation, healthcare, and more.

These savings accounts, which are administered by individual states, were initially available only for the benefit of individuals diagnosed with a qualifying disability before the age of 26. Effective January 1, 2026, the ABLÉ account eligibility age was expanded to include people who have a disability that began before age 46.<sup>4</sup>

## 5. ABLÉ account provisions are made permanent

Also, effective January 1, 2026, under the OBBBA, the following ABLÉ account provisions have been made permanent:<sup>5</sup>

- Tax-free rollovers from 529 plans to ABLÉ accounts, which were initially set to expire, are now permanently available.
- ABLÉ account contributions will remain eligible for the Saver’s Credit permanently, providing essential tax benefits for lower-income savers.
- The “ABLÉ-to-Work” initiative is also now permanent, allowing working beneficiaries to contribute beyond standard limits, so employed adults with disabilities have increased ongoing savings potential.

While the ABLÉ Act is a federal law, individual states administer their own ABLÉ programs, which can lead to differences in rules and benefits.

The 529 ABLÉ contribution limits mirror the annual gift tax exclusion amounts, which change annually. However, certain states impose total 529 plan contribution limits which can vary by state.

Keep in mind that when a beneficiary’s 529 ABLÉ account balance exceeds \$100,000, Supplemental Security Income (SSI) benefits are suspended until the account balance falls back below the threshold. Even if SSI benefits are suspended, the individual still remains eligible for Medicaid, and benefits can be automatically reinstated once the account balance is reduced. If the beneficiary dies, some or all of the remaining balance may go to the state to recoup Medicaid expenses paid.<sup>6</sup>

A workaround to avoid losing the assets to the state upon the beneficiary’s death is to establish a regular 529 plan and roll over funds to the 529 ABLÉ account as needed. This arrangement provides for tax-deferred asset growth and perhaps an estate deduction without forfeiting ownership of the assets.

<sup>1,2,3</sup> [Saving for College.com, https://www.savingforcollege.com/article/big-beautiful-bill-education-savings-529-plans](https://www.savingforcollege.com/article/big-beautiful-bill-education-savings-529-plans)

<sup>4</sup> [Ablenrc.org, https://www.ablenrc.org/what-is-able/what-are-able-accounts/](https://www.ablenrc.org/what-is-able/what-are-able-accounts/)

<sup>5</sup> [Saving for College.com, https://www.savingforcollege.com/article/big-beautiful-bill-education-savings-529-plans](https://www.savingforcollege.com/article/big-beautiful-bill-education-savings-529-plans)

<sup>6</sup> [SSA.gov, https://www.ssa.gov/payee/able\\_accounts.htm](https://www.ssa.gov/payee/able_accounts.htm)

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529 plan rules and state tax treatment vary by state. Investors should consult their state’s plan disclosure or a qualified tax professional before making decisions regarding contributions, rollovers, or withdrawals. This information is not intended to be a substitute for specific, individualized tax or legal advice. Return on Life® Wealth Partners does not provide legal advice. Individual tax or legal matters, including powers of attorney (POA) or other legal documents, should be discussed with your tax or legal professional.

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