



SETON LASALLE CATHOLIC HIGH SCHOOL

Use of 529 Plans for Paying Tuition to Seton LaSalle

The Tax Cuts and Jobs Act (2017 Tax Act) has made changes to qualified tuition programs, better known as "529 Plans." Prior to the enactment of the 2017 Tax Act, "qualified higher education expenses," **did not** include tuition at an elementary or secondary public, private or religious school. Beginning in 2018, tax-free distributions from 529 Plans can now be received by students enrolled in private elementary or high schools who pay tuition expenses.

How can this be important to you?

Pennsylvania provides very few deductions for personal income tax purposes. One deduction that is allowed is for contributions to qualified tuition programs (or 529 Plans). The deduction is limited to the federal annual gift tax exclusion amount (\$15,000 in 2018).

Therefore, if you have a student attending Seton LaSalle Catholic High School (or any elementary or secondary school), instead of paying the tuition directly to the school, you should consider contributing the money to a 529 Plan and then let the 529 Plan pay the tuition. As an added bonus, there is no holding period for the funds deposited into the 529 Plan so you could contribute the money to a 529 Plan on Monday and pay the tuition on Wednesday.

From an economic standpoint, consider a \$10,000 tuition payment. If made to a 529 Plan and then the 529 Plan paid the tuition, you would receive a \$10,000 deduction for Pennsylvania income tax purposes. At a tax rate of 3.07%, this yields a \$307 tax savings.

Please consult your tax advisor for more information and prior to making any 529 disbursements.