2024 · IS THE DISTRIBUTION FROM MY 529 PLAN SUBJECT TO FEDERAL INCOME TAX?

MOUNTAIN PEAK

Start Here

Do you have Qualified Education Expenses (QEE) this year?

Yes

Add up all Qualified Education Expenses for the year.

Deduct tax-free educational assistance.

This includes scholarships, grants, Veterans educational assistance, tax-free parts of Pell grants, employer-provided educational assistance, distributions from Coverdell Savings accounts.

Was the Lifetime Learning Tax Credit claimed?

No

Yes

Reduce QEE by expenses for which credit was claimed (up to $10k).

Was the American Opportunity Tax Credit claimed?

Yes

No

Reduce QEE by expenses for which credit was claimed (up to $4k).

Is the distribution from the 529 Plan less than or equal to the AQEE?

No

Yes

Sorry, a portion of the distribution from the 529 Plan is taxed as ordinary income.

Portion of distribution taxable as ordinary income equals:
529 Plan earnings - (529 Plan earnings x [AQEE / 529 Plan Distribution]).

You have arrived at Adjusted Qualified Education Expense (AQEE).

The distribution from the 529 Plan is tax-free.

Not sure. Look below to see if the expense qualifies.

- Tuition and fees. This is a qualified expense for higher education, and up to $10k/year for elementary/secondary school.
- Room and board. This is a qualified expense, if enrolled half-time or more and the cost does not exceed the budgeted amount set by the school.
- Books and supplies (e.g., a computer). This is a qualified expense, if required for enrollment or attendance.
- Apprenticeship programs. Includes fees, books and supplies, and required equipment. This is a qualified expense if the program is registered with the DOL.
- Student loan repayment. Up to $10k lifetime limit per person. An additional $10k may be distributed to each of the beneficiary's siblings.

No

Did the beneficiary pass away, become terminally ill or have a long-term disability?

No. Sorry, the gains from any distribution will be taxed as ordinary income, plus a 10% penalty.

Passed away or terminally ill. The gains are taxed as ordinary income, but no penalty.

Disabled. Up to $18k/year can be rolled over to a 529A ABLE account without penalty.

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