



Topic No. 313 Qualified Tuition Programs (QTPs)



A qualified tuition program (QTP), also referred to as a section 529 plan, is a program established and maintained by a state, or an agency or instrumentality of a state, that allows a contributor either to prepay a beneficiary's qualified higher education expenses at an eligible educational institution or to contribute to an account for paying those expenses. Eligible educational institutions can also establish and maintain QTPs but only to allow prepaying a beneficiary's qualified higher education expenses. Qualified higher education expenses generally include expenses required for the enrollment or attendance of the designated beneficiary at any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the Department of Education [↗](#). In addition, for purposes of QTPs, qualified higher education expenses include tuition expenses in connection with a designated beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school, i.e., kindergarten through grade 12, up to a total amount of \$10,000 per year from all of the designated beneficiary's QTPs. They also include expenses for fees, books, supplies, and equipment required for the participation in an apprenticeship program registered and certified with the Secretary of Labor and qualified education loan repayments in limited amounts.

Contributions

QTP contributions on behalf of any beneficiary can't be more than the amount necessary to provide for the qualified higher education expenses of the beneficiary. Contact the program's trustee or administrator to determine the program's contribution limit. Contributions made to a QTP aren't deductible.

The benefits of establishing a QTP are

- Earnings accumulate tax free while in the account.
- The beneficiary doesn't generally have to include the earnings from a QTP as income.
- Distributions aren't taxable when used to pay for qualified higher education expenses (including tuition at an elementary or secondary public, private, or religious school). However, if the amount of a distribution is greater than the beneficiary's qualified higher education expenses (including tuition at an elementary or secondary public, private, or religious school), a portion of the earnings is taxable.
- Amounts can be withdrawn to pay principal or interest on a designated beneficiary's or their sibling's student loan. The amount of distributions for loan repayments of any individual is limited to \$10,000 lifetime. Interest paid with these funds doesn't qualify for the student loan interest deduction.

Distributions

You should receive a Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 and 530) from each of the programs from which you received a QTP distribution. The amount of your gross distribution (box 1) shown on each form will be divided between your earnings (box 2) and your basis or return of investment (box 3). Form 1099-Q should be made available to you by January 31, 2023.

Additional Information

For additional information, refer to Publication 970, Tax Benefits for Education.

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