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Advocating for 529 Savings Plan Legislation Supported by Clients

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As a federal lobbyist, it is not every day that I have an opportunity to advocate for legislation that is supported by thousands of different companies in numerous industries. Further, it is perhaps even less likely these days to be able to work an issue that has strong bipartisan and bicameral support in Washington, DC.

The federal legislation receiving such widespread support in both the corporate world and on Capitol Hill is the “Freedom to Invest in Tomorrow’s Workforce Act” (“Tomorrow’s Workforce Act” or “Act”). This particular legislation, which focuses on making changes to the tax treatment of 529 savings plans, is currently backed by over 800 organizations that operate in over 50 different industries – together comprising the “Tomorrow’s Workforce Coalition.” Additionally, the legislation has been introduced in both the U.S. Senate (S. 722) and the House of Representatives (H.R. 1477), where it has nearly 150 cosponsors collectively.

Here’s a quick refresher on 529 savings plans. A 529 plan is a state-sponsored education savings plan that is exempt from federal taxes so long as the funds are used to pay for qualified education expenses. Today, these qualified education expenses include: two or four-year colleges; graduate or professional degree programs; registered apprenticeships; tuition expenses for K-12 schooling; and a few other limited examples. However, despite the large number of American jobs not requiring a college degree, postsecondary training and credentialing are currently ineligible for qualified education expenses and 529 use.

So what would the Tomorrow’s Workforce Act do? It would serve to provide more flexibility and opportunity to 529 savings plan spending. Both the House and Senate bills would serve to expand the available uses of 529 individual savings plans well beyond the traditional college or graduate degree programs, thereby enabling 529 money to be spent on certain career training and credentialing expenses. Such expenses would include: credential program tuition, including prep courses; testing fees, including practice exams; continuing education and credential renewal; required books and equipment; and other charges for obtaining and maintaining a postsecondary credential.

What exactly does the legislation change? The Tomorrow’s Workforce Act would amend the Internal Revenue Code of 1986 (“Code”) by permitting certain expenses for obtaining or maintaining recognized postsecondary credentials to be treated as qualified higher education expenses for purposes of 529 plans. Mechanically, the legislation would make two main changes:

- 1) It would add a new subparagraph to Section 529(e)(3) of the Code that in pertinent part expands the use of “qualified higher education expenses” to these types of additional tuition, fees, books, and supplies for enrolling in and attending postsecondary credential programs; and

- 2) It would expand the definition of the term “qualified higher education expense” to include fees required to obtain or maintain a recognized postsecondary credential and fees for testing and other costs required to obtain or maintain the postsecondary credential.

These changes will provide tax advantages for 529 plans to those families and students who want to pursue career growth or career change that may be a bit different than the more traditional academic route. Additionally, the legislation would encourage more workers and families to save funds on a tax-preferred basis for career options that are best suited to the plan beneficiary. In short, the federal legislation would aim to shift 529s from college savings plans to career savings plans.

Over the past several months, McIntyre & Lemon has been pleased to join with hundreds of other organizations who are part of the Tomorrow's Workforce Coalition to discuss the benefit of these flexible changes to 529s with federal legislators and staff. We look forward to continuing these conversations in this second term of the 118th Congress.

For more information about this 529 savings plan legislation, or if you would like to discuss how we may be of assistance on an issue of concern to you or your business, please do not hesitate to contact Robert Batson at McIntyre & Lemon at rbatson@mcintyrelf.com

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