2023 · IS THE DISTRIBUTION FROM MY 529 PLAN SUBJECT TO FEDERAL INCOME TAX?

R.W. Rogé & Company
PRIVATE WEALTH MANAGEMENT SINCE 1986

Start Here

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

Yes

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 $17k/year can be rolled over to a 529A ABLE account without penalty.

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.

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).

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

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

No

Yes

The distribution from the 529 Plan is tax-free.

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]).

About Us

R.W. Rogé & Company, Inc. is a "Fee-Only" financial planning and wealth management firm serving clients virtually and locally across the country with offices in New York, Massachusetts, and Florida. The company was founded on a “client first” culture and proudly commits to acting in the best interest of its clients as a fiduciary.

With over 35 years of experience, we understand that managing your wealth is like a journey – you start with a plan and are prepared to address any unexpected obstacles along the way. Our mission is to help clients Plan, Achieve and Live® the life they want.

If you would like to learn more about our firm, or wish to arrange a no obligation, complimentary initial meeting, please contact us at 631.218.0077, or via e-mail at info@rwroge.com

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