



DIOCESE of JACKSON



**CATHOLIC
EDUCATION
PARTNERS**

Mississippi 529 FAQs

What is a “529 plan”?

Named for Section 529 of the U.S. tax code, a 529 plan is a **tax-advantaged investment plan** operated by a state to encourage saving for **education expenses**. As there is risk when investing in a 529 account, we are required to advise readers talk to a financial advisor.

What are the qualifying education expenses?

Following the passage of 2017’s Tax Cut and Jobs Act, funds in a 529 plan may be used for tuition, books, fees, computer technology, or room and board at a qualifying college *and* for **up to \$10,000 in tuition at a K-12 private or religious school**.

What is the federal tax advantage for using a 529 plan?

The growth of your investment is not subject to federal taxation as long as funds are used for qualifying educational expenses. There is no federal deduction allowed for contributions.

What are the tax advantages in Mississippi of investing in a 529 plan?

In addition to tax-free growth on the investment, **taxpayers in Mississippi who contribute to state-run MACS plan may deduct up to \$10,000 (\$20,000 for joint filers) from their taxable income**. At the top marginal tax rate of 5%, a \$10,000 contribution could mean a reduction in taxes owed of up to \$500.

Who may donate to a 529 account?

Anyone may contribute to a 529 plan for any beneficiary. **Any Mississippi taxpayer contributing to a MACS plan may take a deduction, regardless of who the beneficiary is.**

Can funds in a MACS account be used for K-12 tuition in another state?

Yes, the funds can be used to pay K-12 tuition expenses in any other state.

Can the beneficiary on an account be changed?

Yes, a beneficiary may be changed at any time, and changes in beneficiary among siblings will not incur a tax liability. However, if the new beneficiary is not a sibling of the original beneficiary, there may be a tax due on the growth of the investment.

Is there an annual limit on how much one person may donate to a 529 plan?

529 contributions are counted as a “gift” for federal taxes, so more than \$15,000 to a single beneficiary could trigger a gift tax on further giving.

Is there an annual limit on using a 529 account for K-12 tuition expenses?

Yes, the **maximum amount that can be distributed tax-free per calendar year is \$10,000 per student**, regardless of the number of 529 accounts.

Can an existing 529 account be used for K-12 expenses?

Yes, there are no federal or Mississippi restrictions on using funds in a 529 account for K-12 tuition in 2018 and beyond. However, since some states’ plans do not recognize K-12 tuition expenses, be sure to check with your plan manager for any plan other than MACS.

Where can further information be found?

To learn more about Catholic schools in Mississippi, visit <http://schools.jacksondiocese.org/>. To see options for enrolling in MACS, visit ms529.com.