

# Paying ICS Tuition with a 529 Savings Plan

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A 529 Savings Plan (named after Section 529 of the federal tax code) refers to a special type of Qualified Tuition Program account originally designed to encourage families to save for college expenses. Since 2017, tuition at K-12 private institutions is also eligible for this tax-favored treatment.

Investment earnings in a 529 account can grow tax-deferred, and when distributions (withdrawals) are made for qualified education expenses, they won't be subject to either federal or state taxes.

In addition, some states may offer income tax deductions for making contributions (deposits) to a 529 plan account. *For example, Virginia taxpayers who are Virginia 529 account owners may deduct their contributions up to \$4,000 per account, per year, with unlimited carry forward to future tax years. See <https://www.virginia529.com/learn/tax-benefits/> for more information.*

## Frequently Asked Questions

### **CAN MY FACTS PAYMENTS BE DISCONTINUED OR POSTPONED IF I PLAN TO PAY WITH 529 FUNDS?**

Your FACTS payment plan is your commitment to pay your student's tuition and fees to Immanuel Christian School on time, regardless of the source of funds. While the payment plan needs to remain in place, we may be able to accommodate minor adjustments to your payment schedule upon request.

### **WHAT INFORMATION DO I NEED TO GIVE TO THE 529 PLAN?**

You don't need to provide the 529 plan with evidence that you will be using the money for eligible expenses, but you do need to keep the tuition documentation in your tax records in case you are audited by the IRS. You will need to tell the 529 plan the amount you're requesting for distribution. You do NOT need to provide the plan with a student ID.

### **HOW SHOULD I DECIDE ON THE DISTRIBUTION (WITHDRAWAL) AMOUNT TO REQUEST FROM MY PLAN?**

You should review your FACTS account tuition balance (excluding other fees) to determine the amount of your distribution request. If you have multiple children at ICS, be very careful to look at each child's individual tuition charges (which may vary by grade) before requesting a distribution since 529 plan funds will be separately held in each child's name.

### **HOW WILL THE DISTRIBUTION BE MADE?**

Most 529 plans do not offer a way to send automatic monthly distributions; you must initiate each distribution with your plan. Distributions can be sent directly to ICS, or you can pay ICS as scheduled via FACTS and reimburse yourself from the 529 plan funds.

There is no tax benefit derived from sending 529 funds directly from your plan to ICS. A distribution can be taken at any time during the year as long as an equal or greater amount of qualifying expenses are paid at any time during the same year. In other words, the use of the distribution proceeds does not have to be traceable to each specific payment of tuition; distribution reimbursement(s) can be made either before or after the payment(s) to the school as long as they occur in the same calendar year.

### **HOW WILL DISTRIBUTIONS SENT TO ICS BE APPLIED TO MY ACCOUNT?**

If you initiate a distribution to be sent directly to ICS, it will be applied upon receipt to the named student's tuition charges and corresponding payment schedule in your FACTS payment plan. We will apply the payment as soon as possible; however, please plan for processing time of at least one week between the anticipated arrival of the distribution payment and the corresponding date on your FACTS automatic payment schedule. Allow extra time over holiday weekends and during school breaks.

### **FURTHER QUESTIONS?**

Please contact your 529 plan for all distribution questions. For payment application questions, please contact Mandy Croushore, Finance Director, at 703-941-1220 or [mandy.croushore@icsva.org](mailto:mandy.croushore@icsva.org).

This information is intended to be of a brief and general nature only. It is not intended to provide, and should not be relied on for, tax, legal or accounting advice. Improper distributions may incur taxes and penalties. Individual tax situations vary greatly; please consult your financial advisor for details specific to your situation.

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