

PAYING ICS TUITION WITH A 529 PLAN

A 529 Savings Plan is a special type of Qualified Tuition Program account originally designed to encourage families to save for college expenses. Tuition at K-12 private institutions (up to \$10,000 per year) became eligible for this tax-favored treatment in 2018. Starting in 2025, eligible use was expanded beyond tuition to other required fees, tutoring, and more. Starting in 2026, the annual K-12 limit increases to \$20,000 per student. See <https://www.savingforcollege.com/article/what-you-can-pay-for-with-a-529-plan>

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 offer income tax deductions for making contributions (deposits) to a 529 plan account. *For example, Virginia taxpayers who are Invest529 (formerly Virginia529) 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.invest529.com/529-basics/tax-benefits/>.

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 documentation in your tax records in case you are audited by the IRS. You do NOT need to provide a student ID number.

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

You should review your FACTS account balance 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 are separately held for each student and can only be applied in the stated child's name.

HOW WILL THE DISTRIBUTION BE MADE?

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.

A distribution can be taken at any time during the year as long as an equal or greater amount of qualifying expenses are paid during that year. In other words, distribution proceeds do not have to be traceable to a specific tuition payment; distribution reimbursement(s) to an account owner can be made either before or after the payment(s) to the school as long as they occur in the same calendar year. NOTE: there is no tax benefit derived from sending funds directly from your 529 plan to the school. Showing ICS as payee is not sufficient proof of eligible expenses. Maintain copies of your student's FACTS account details for your records.

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.

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.