



# Mansfield Hall's

## *Information Regarding Tax Treatment of Payments & 529 Plans*

Mansfield Hall understands that enrollment in one of our programs is a very personal as well as a financial decision. In an effort to assist qualified students in finding the financial resources available to help cover the cost of our programs please review the information on our website.

We have included information regarding Section 529 Accounts, Section 529A Able Accounts, Medical Tax Deductions, Scholarships and Tax Credits.

We can assist in the process of determining what resources are available to you. However, each student's circumstances are unique and consultation with your tax professional is highly recommended. We welcome your questions and look forward to having you here at Mansfield Hall.

### **Section 529 Accounts (Qualified Tuition Program – QTP)**

A qualified tuition program (QTP), also referred to as a section 529 plan, is a program established and maintained by a state, or an agency or instrumentality of a state, that allows a contributor either to prepay a beneficiary's qualified higher education expenses at an eligible educational institution or to contribute to an account for paying those expenses.

The benefits of establishing a QTP are:

- Earnings accumulate tax free while in the account.
- The beneficiary doesn't generally have to include the earnings from a QTP as income.
- Distributions aren't taxable when used to pay for qualified higher education expenses.

Qualified Higher Education Expenses typically include the cost of tuition, fees and course related expenses to attend an eligible education institution. In addition, expenses provided to a Special Needs Beneficiary for Special Needs Services that are incurred in connection with the beneficiary's enrollment or attendance at the institution can be considered qualified 529 expenses. IRS regulation defines a Special Needs Beneficiary as an individual who because of a physical, mental or emotional condition including a learning disability requires additional time and assistance to complete their education.

A determination will need to be made in consultation with your physician and tax professional that the student is a Special Needs Beneficiary and the services of Mansfield Hall qualify as Special Needs Services.

### **Section 529A Able Accounts (Qualified Tuition Program – QTP)**

An Achieving a Better Life Experience (ABLE) account is a type of tax-advantaged savings account that an eligible individual can use to pay for qualified disability expenses. The eligible individual is the owner and designated beneficiary of the ABLE account. An eligible individual may establish an ABLE account provided that the individual is blind or disabled by a condition that began before the individual's 26th birthday.

Qualified disability expenses (QDEs) are expenses related to the blindness or disability of the designated beneficiary and for the benefit of the designated beneficiary. In general, a QDE includes, but is not limited to, an expense for:

- Education
- Housing
- Transportation
- Employment training and support
- Assistive technology and related services
- Personal support services
- Health
- Prevention and wellness
- Financial management and administrative services
- Legal fees
- Expenses for ABLE account oversight and monitoring
- Funeral and burial; and
- Basic living expenses.

ABLE accounts are eligible to receive rollovers from a QTP account. Rollovers are limited to the annual gift tax exclusion limit which is currently \$15,000. Please consult your Tax Professional and Financial Advisor for additional information.

### **Medical Expense Deduction**

You can include in medical expenses the cost (tuition, meals, and lodging) of attending a school that furnishes special education to help a child to overcome learning disabilities. Overcoming the learning disabilities must be the primary reason for attending the school, and any ordinary education received must be incidental to the special education provided.

### **IRS Publications**

- Publication 970 – Tax Benefits for Education
- Publication 907 – Tax Highlights for Persons With Disabilities
- Private Letter Ruling 8401024, 9/30/1983, IRC Sec(s). 213
- Revenue Ruling 78-340