5 Things to Know About the Expanded 529 Plan Benefits

There are some big changes coming for 529 plans. Families who use 529 education savings plans to set aside money for school will soon see new benefits. The **One Big Beautiful Bill Act (OBBBA)**, signed into law in July 2025, expands how these accounts can be used — giving families more flexibility and bigger tax advantages.

Designed to help families set aside funds for future education and career training costs, 529 plans offer federal, and often state tax benefits. Plan contributions have the potential to grow and be distributed free of federal, and in most cases, state income taxes, as long as they are used for qualified education expenses as defined by the Internal Revenue Service.

What's new for 529 plans?

The OBBBA includes several provisions that expand 529 plan benefits for account owners and beneficiaries, as outlined below. While most of the new provisions are effective January 1, 2026, the expanded definition for qualified K-12 education expenses is effective for tax-year 2025.

1. More K-12 expenses now covered

Effective immediately, the new law expands the definition of "qualified expenses" for K-12 education to include non-tuition costs and certain expenses associated with home schooling, including:[1]

- Books and curriculum materials
- Standardized testing fees
- Tutoring services (certain restrictions apply)
- Online education
- Enrollment in college courses taken during high school
- Certain educational therapies for students with disabilities

2. K-12 annual limit doubles in 2026

Effective January 1, 2026, he annual cap for K-12 expenses doubles from $10,000 to $20,000 per student.[2] Keep in mind, not all states have adopted the federal K-12 provision. Participation in a state plan that has not adopted this provision could cause K-12 withdrawals to be taxable and subject to penalties.

3. Greater flexibility for career and trade programs

Funds can now be used for certifications like welding, aviation mechanics, or other vocational training, including books, equipment, exam fees, equipment, and continuing education.[3]

4. ABLE account eligibility age increases

ABLE accounts were initially only available to individuals whose qualified disability began before age 26. On January 1, 2026, the account eligibility age will expand to include people with a disability that began before age 46.[4] ABLE account assets can be withdrawn tax-free when the funds are used to pay for a broad range of qualified expenses, including education, housing, transportation, healthcare, and more.

5. Permanent ABLE account provisions

The following ABLE account provisions will also be made permanent on January 1, 2026:[5]

- Tax-free rollovers from 529 plans to ABLE accounts, which were initially set to expire, are now permanently available.
- ABLE account contributions will remain eligible for the Saver's Credit permanently, providing essential tax benefits for lower-income savers.
- The "ABLE-to-Work" initiative is also now permanent, allowing working beneficiaries to contribute beyond standard limits, so employed adults with disabilities have increased ongoing savings potential.

What this means for you

If you're saving for education — whether that's K-12, college, or career training — these changes could make your 529 plan even more valuable. And if you or a family member has a disability, the expanded ABLE account rules may open new opportunities.

Want to see how these updates fit into your family's education or estate planning goals? Contact the office to schedule a time to talk.

[1]"How the Big Beautiful Bill Impacts Education Savings: 529 Plans, ABLE Accounts, and Trump Accounts." 18 JUL 2025, Saving for College.com, https://www.savingforcollege.com/article/big-beautiful-bill-education-savings-529-plans.
[2]Ibid.
[3]Ibid.
[4] "About ABLE Accounts." Ablenrc.org, https://www.ablenrc.org/what-is-able/what-are-able-accounts/. Accessed 25 SEP 2025.
[5]"How the Big Beautiful Bill Impacts Education Savings: 529 Plans, ABLE Accounts, and Trump Accounts." 18 JUL 2025, Saving for College.com, https://www.savingforcollege.com/article/big-beautiful-bill-education-savings-529-plans.

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