

Modernizing 529 Savings Plans

Issue: America's workforce is comprised mostly of middle-skill jobs that require more than a high school education but not a bachelor's degree, according to the National Skills Coalition. A differentiator amid the 21st century workforce is postsecondary credentialing—for workers with or without a two- or four-year degree. There are several bills pending in Congress that would provide help with the costs of postsecondary credentialing.

The bipartisan, bicameral Freedom to Invest in Tomorrow's Workforce Act (S.722/H.R. 1477) would expand qualified expenses under 529 savings plans to include postsecondary training and credentialing, such as licenses and professional certifications. The bill would provide valuable tax-advantaged resources for families, students, and workers—with or without a college degree—who pursue career growth, mid-career changes or pathways that diverge from a typical academic route. The Education and Workforce Freedom Act (H.R. 8915), recently approved by the House Committee on Ways and Means on a party line vote, also includes provisions similar to the Freedom to Invest in Tomorrow's Workforce Act, among its other provisions.

Background: A 529 plan is a state-sponsored education savings vehicle that is exempt from federal taxes if funds are used to pay for qualified education expenses. These include college, graduate, or professional degrees; programs from Title IV-accredited institutions; registered apprenticeships; up to \$10,000/year in K-12 tuition; and certain student loan repayments. These bills would allow financial professionals to assist students, families, and workers to better access the credentials and skills training that help grow strong, resilient careers. This legislation would provide flexibility for 529 beneficiaries to use their plan funds to cover whichever quality educational, training, or credentialing programs best fit their skills development, professional growth, and career path; this legislation can support the entire workforce.

NAIFA's Position: We urge swift adoption of legislation that incorporates the postsecondary credentialing provisions of the Freedom to Invest in Tomorrow's Workforce Act and the Education and Workforce Freedom Act to provide financial professionals and their clients with greater financial flexibility as they enter the workforce and seek to further their education.

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