TIP SHEET

3 ways OBBBA changed 529 plans

The One Big Beautiful Bill Act (OBBBA) expanded what 529 plans can cover and how much you can use each year. If you're funding education for kids, grandchildren, or anyone else in your life, here's what's changed — and how to make the most of it.

1. Take advantage of the higher K-12 distribution limit.
The annual distribution limit for certain expanded K-12 eligible expenses doubles from $10,000 to $20,000 per beneficiary, for distributions made after December 31, 2025. If you've been managing withdrawals carefully to stay under the old cap, you now have more room to use 529 funds before college.

2. Explore the expanded list of qualified expenses.
Qualified expenses now reach beyond tuition to include costs tied to obtaining or maintaining recognized postsecondary credentials, among other newly eligible categories. Review what you're currently paying out-of-pocket for. Some of it may now qualify.

3. Consider superfunding for larger gifts.
The 5-year gift-tax averaging election lets you contribute up to five times the annual exclusion amount in a single year ($95,000 per individual or $190,000 per couple in 2026) without using any lifetime exemption, assuming no other gifts to that beneficiary during the 5-year period and a timely Form 709 election. It's treated as if the gift were made ratably over five years, making it one of the most efficient ways to fund a 529 account in bulk.

Confirm your state's treatment.
Not every state automatically conforms to these federal expansions. Before you assume a deduction applies to the higher K-12 limit or the newly eligible expenses, confirm how your state treats them.

Talk to your KR advisor.
A 529 plan is often just one piece of a bigger education and wealth-transfer strategy. Contact your Kaufman Rossin advisor to see how these changes fit into yours.

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