



January 31, 2018

**Tax Reform Alert: Illinois 529 Plans**

The Tax Cuts and Jobs Act of 2017 expanded the definition of “qualified education expenses” under federal law for 529 college savings plans to include up to \$10,000 per student in tuition expenses for elementary and secondary schools for distributions after December 31, 2017. Under current Illinois law, distributions from Illinois plans (Bright Start, Bright Directions and *CollegeIllinois*) are restricted to educational expenses incurred at “public and private colleges, junior colleges, graduate schools, and certain vocational institutions.”

Taxpayers who take distributions from Illinois plans under the new federal provisions (K-12 education) are subject to recapture provisions to the extent the distributions were previously subtracted on their Illinois return. In other words, the distributions for K-12 education would be subject to Illinois income tax at a rate of 4.95%.

Legislation is being discussed that might amend the Illinois statute to make it compatible to the new federal rules.

Please contact our office for more information.