Improvements for 529 plans with PATH Act of 2015

On December 18, 2015, Congress passed the Protecting Americans from Tax Hikes Act of 2015 (PATH Act), which introduced improvements to 529 plans. Account owners are encouraged to see their tax advisor to understand the implications of these changes.

Computers

Previously, 529 rules treated a computer as a "qualified higher education expense" only if the beneficiary's college required a computer as a condition of enrollment. But now, under the new law, a computer, peripheral equipment, computer software, and Internet access or related services are considered qualified higher education expenses-as long as the computer, equipment, software, or services are used primarily by the beneficiary while enrolled in school. This change is retroactively effective for tax years beginning after **December 31, 2014**.

Re-contributions

When a beneficiary is given a refund of a qualified higher education expense from an eligible educational institution, account owners can now re-contribute that money into a 529 account for that beneficiary. Re-contributed refunds will not have taxes or penalties associated with them.

You must re-contribute a refund within 60 days of the beneficiary's receipt, and the re-contributed amount can't exceed the amount of the refund.

In addition a special transition rule permits refunds received after **December 31, 2014** and before **December 18, 2015** (the date the law was enacted) to be re-contributed by **February 16, 2016** (60 days after the law was enacted) without incurring taxes or penalties.

It's the responsibility of the account owner to keep all records of refunds and re-contributions.