

RESOURCES

QUALIFIED STATE SAVINGS PROGRAMS (SECTION 529)

Description: Section 529 of the Internal Revenue Code permits account owners and designated beneficiaries of a qualified tuition savings program to qualify for federal tax benefits. The qualified tuition savings program allows for either prepayment of a student's tuition or contributions to an account established for paying a student's qualified higher education expenses at an eligible educational institution. New York's 529 College Savings Program, a qualified tuition program, enables individuals to save for a student's qualified higher education expenses by providing investment choices and tax benefits.

Policy: Assets in a Section 529 account are considered to belong to the account owner. The account owner can withdraw money from the account. An account owner must be a U.S. citizen or resident alien and have a Social Security number or taxpayer identification number. Fiduciaries or agents for trusts, estates, corporations, companies, partnerships, and associations may also be account owners.

For purposes of determining Medicaid eligibility, New York's 529 College Savings Program is a countable resource for the account owner. The assets are not taken into consideration in determining Medicaid eligibility for the designated beneficiary of the account. The amount of the account that is a countable resource is its value minus any penalties (e.g., a 10% federal tax penalty) for a non-qualified withdrawal. Ordinary federal, State, and local income taxes are not deductible in determining the resource value.

If an SSI-related minor is an account owner of a New York's 529 College Savings Program (owning the funds in the account rather than just being a designated beneficiary), the assets are a countable resource for the minor.