

New Horizons for 529s: The One Big Beautiful Bill Act Expands Opportunities

Expanded limits and flexibility of 529 plan funds

On July 4, 2025, H.R. 1 (Big Beautiful Bill Act) was signed into law. The bill includes new key provisions that benefit 529 plans and further expand their flexibility.

Effective immediately*

- K-12 qualified expenses are expanded to cover curriculum materials, books, online educational materials, tutoring, standardized test fees, dual enrollment fees, therapies for students with special needs, and more.
- Certain postsecondary credentialing expenses are now considered qualified expenses. These include:
 - tuition, fees, books, supplies, and equipment required for the enrollment and attendance of a credentialing program
 - required continuing education (CE) fees, workforce training programs, preparation and exam fees for industry-recognized licenses or certifications, and more

Effective January 1, 2026*

- The annual distribution limit for K-12 expenses will increase from \$10,000 to \$20,000 per beneficiary.

529 plan or Trump Account: Which is the right choice for me?

The OBBBA has introduced the Trump Account, a new type of savings vehicle that allows for contributions up to \$5,000 per year on an after-tax basis.

While Trump Accounts offer flexibility in how they can be used (for retirement, first-time home purchase, and education savings), there are also some disadvantages: investment options are limited and earnings are taxable upon withdrawal.

Because of these limitations, we continue to view 529 accounts as the best option for education savings and beyond, with the continued expanded flexibility these programs offer.

There are many options available to help you save for higher education expenses. Your financial professional can help you sort through the choices to come up with the best decision for your needs and budget. Consult your tax professional for tax-related advice.

* State tax treatment of withdrawals for K-12 expenses and postsecondary credential programs is determined by the state where you file state income tax. Consult with a tax advisor before withdrawing funds for any such expenses.



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Below is a table that compares the features of the Trump Account with the 529 account.

	529 plan	Trump Account
Eligibility	Anyone who is a U.S. resident, is at least 18 years old, and has a Social Security Number or Tax ID Number The account beneficiary can be anyone, including the account owner, a family member, or a friend	A parent or legal guardian may open one Trump Account per eligible child up until December 31 of the year in which the child turns 17
Transfers	The account may be transferred to another beneficiary	Transfers to another child are not allowed
Government seed capital	\$0	\$1,000 per child for children born between 2025 and 2028
Qualified expenses	Offers a broad range of qualified expenses, including college tuition, K-12 tuition, apprenticeship programs, trade school, postsecondary credentialing, student loan debt repayment, and more	Education expenses, first-time home purchase, emergency expenses (up to \$1,000), and childbirth or adoption expenses (up to \$5,000)
Taxation	Qualified expenses are not subject to federal or state taxes. Certain states may also offer tax deductions or credits	Withdrawals (including qualified withdrawals) are taxed as ordinary income, plus an applicable 10% penalty if not used for qualified expenses
Contribution limits	\$19,000/\$38,000 annual single/married filer gifting limit and \$589,650 lifetime limit for 2025	\$5,000 annual contribution limit
Distributions	Accessible at any age Tax-free distributions for qualified expenses Earnings on distributions for non-qualified expenses are taxed as ordinary income, and are subject to a 10% early distribution penalty	No distributions are allowed before January 1 of the year in which the account beneficiary turns 18 After that, distributions may be taken for any reason Earnings on all distributions are taxed as ordinary income and are subject to a 10% early distribution penalty if taken before the account beneficiary reaches age 59 1/2
Investment options	Wide variety of active and passive investment offerings to fit specific client needs	Limited to one U.S. equity index mutual fund or exchange traded fund with an investment fee of 0.10% or less

Compare College Savings Plan Options

Tomorrow's Scholar is Wisconsin's state-sponsored college savings plan administered by the State of Wisconsin Department of Financial Institutions with oversight from the College Savings Program Board. Voya Investment Management (Voya IM) provides investment management and administrative services for the Tomorrow's Scholar plan. Shares in the program are distributed by Voya Investments Distributor, LLC. This Web site is accompanied by a current [program description](#) for the Tomorrow's Scholar plan.

An investor's or a designated beneficiary's home state may offer state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program. Please consider this before investing.

Earnings component of non-qualified withdrawals may be subject to federal and state taxes and the additional federal 10% tax.

The tax information herein is not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding tax penalties. Taxpayers should seek advice based on their own particular circumstances from an independent tax advisor.

Investments in Tomorrow's Scholar 529 Plan are subject to certain charges, which will reduce the value of your Account as they are incurred. Please see the [Program Description](#) for details of charges or fees that apply to the specific Tomorrow Scholar savings plan.

Investments in Tomorrow's Scholar 529 Plan are subject to investment risks, including the loss of the principal amount invested, and may not be appropriate for all investors.

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IM4678469 • 080525 • 2025-07-4593150



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