

ASHWORTH &amp; ASSOCIATES, P.C.

Newsletter

## Why are these plans referred to as "529" plans?

### Answer:

College savings plans and prepaid tuition plans are often referred to as 529 plans because they are governed by Section 529 of the Internal Revenue Code. Specifically, in order for these plans to gain favorable federal tax treatment, they must comply with all provisions of Section 529 of the tax code. Under federal law, 529 plans are officially called qualified tuition programs, or QTPs.

Note: In many instances, the term "529 plan" is used interchangeably with "college savings plan," but this use is not completely accurate. A college savings plan is only one type of 529 plan; a qualifying prepaid tuition plan is the other.