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The Use of 529 Plans in Pennsylvania and Divorce

Parents often use 529 Plans to save money for college. It is a great tool that provides a tax deduction in Pennsylvania and provides tax-free withdrawals so long as the funds are used for college-related expenses as defined in the Code. Under the new provisions which became effective January 1, 2020, 529 Plans may also be used to pay up to \$10,000 towards student loans. This makes the 529 Plan an even better option for families saving for college. When parties are in a divorce, there are often disputes on how 529 Plans should be divided since a parent may withdraw money from the plan at any time, for any purpose. Due to this factor, the Court treats 529 Plans as a marital asset. The family law practitioner should make sure the Plan's statements are exchanged between the parties on annual bases with one party providing an accounting of any monies used towards college expenses. If the funds are not depleted, the remaining money in the 529 account should be divided between the parties in the same percentage as the other divorce assets.