

## **DEPARTMENT OF THE TREASURY**

INTERNAL REVENUE SERVICE WASHINGTON, D.C. 20224

March 12, 2025

Number: **2025-0001** CC:EEE:EOET:EO2: Release Date: 3/28/25 GENIN-100571-25

UIL: 529A.00-00

Dear :

This letter responds to your authorized representatives' request dated February 3, 2025, for an information letter addressing the funding requirements applicable to qualified tuition programs ("QTP"), described in section 529(b) of the Internal Revenue Code, and the permissible uses of that funding.

A letter ruling is a written determination issued to a taxpayer by the IRS Office of Associate Chief Counsel in response to a taxpayer's written inquiry, filed prior to the filing of returns or reports that are required by the tax laws, about its status for tax purposes or the tax effects of its acts or transactions. See Rev. Proc. 2025-1 § 2.01, 2025-1 I.R.B. 1. A letter ruling interprets the tax laws and applies them to the taxpayer's specific set of facts. A letter ruling is issued when appropriate in the interest of sound tax administration. As your authorized representatives' request acknowledges, the IRS will not ordinarily issue letter rulings on a matter involving the Federal tax consequences of proposed state legislation. See Rev. Proc. 2025-3 § 4.02(8), 2025-1 I.R.B. 142. Furthermore, the IRS will not issue a letter ruling on whether a state-run tuition program qualifies under section 529. See Rev. Proc. 2025-3 § 3.01(83).

The IRS may, however, provide an information letter—a statement that calls attention to a well-established interpretation or principle of tax law without applying it to a specific set of facts—if a taxpayer's request does not meet the requirements of Revenue Procedure 2025-1 and the IRS concludes that general information will help the taxpayer. See Rev. Proc. 2025-1 § 2.04. We hope this general information letter is responsive to your inquiry.

<sup>&</sup>lt;sup>1</sup> Unless otherwise noted, all section references are to the Internal Revenue Code of 1986, as amended.

By way of background, a QTP is a program established and maintained by a state, or an agency or instrumentality of a state, or one or more eligible educational institutions, that is exempt from Federal taxation as provided in section 529. QTPs allow a person to prepay a designated beneficiary's qualified higher education expenses ("QHEE") at an eligible educational institution or, in the case of a state, or an agency or instrumentality of a state, to contribute to an account for paying those expenses. QHEEs generally include expenses required for the enrollment or attendance of the designated beneficiary at any college, university, vocational school, or other postsecondary educational institution described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) as in effect on the date of enactment of section 529(e)(5), and which is eligible to participate in a program under title IV of such Act. In addition, QHEEs include qualified education loan repayments in limited amounts and tuition expenses in connection with a designated beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school. QHEEs also include fees, books, supplies, and equipment required for the participation of the designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).

Section 529(b)(1)(A)(i) provides that one way a state (or agency or instrumentality thereof) may establish a QTP is by creating a program allowing a person to purchase credits or certificates on behalf of a designated beneficiary to be used to waive or otherwise pay the beneficiary's QHEEs. A QTP also must meet the other requirements of section 529. Section 529 does not establish requirements as to the level of funding a state, or an agency or instrumentality of a state, must maintain to support a QTP described in section 529(b)(1)(A)(i) and to ensure the full payment of those QHEEs. Nor does section 529 address how a state, or an agency or instrumentality of a state, is to administer the funds it receives through QTP credit or certificate purchases. Accordingly, section 529 does not explicitly restrict a state, or an agency or instrumentality of a state, from transferring such receipts to various other state programs.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a letter ruling. If you have any additional questions, please contact at

Sincerely,

By: \_/s/\_\_\_ Michael J. Gruccio Senior Counsel, Exempt Organizations (Employee Benefits, Exempt Organizations and Employment Taxes)