

HOUSE BILL 145

What you need to know

On March 22, 2022, the Delaware General Assembly passed HB 145¹, creating two new state income tax deductions – one for contributions to a 529 Plan, and one for contributions to an ABLE account (i.e., 529A Savings Account). These deductions apply to contributions made on *January 1, 2022*, and thereafter. The Governor is expected to sign the legislation by the summer of 2022.

Delaware's **529 Plan** is sponsored by the State of Delaware, administered by the Office of the State Treasurer and managed by Fidelity Investments. The Plan provides tax-advantaged accounts designed to help parents, grandparents and others pay for higher education expenses. Contributions can be invested in portfolios tailored to a child's age or the investor's ability to identify an asset allocation strategy. Withdrawals can be used for qualified expenses at any accredited college nationwide and many international institutions.

Delaware's **ABLE Plan** is sponsored by the State of Delaware, administered by the Office of the State Treasurer and managed by Ascensus. The Plan allows individuals with disabilities and their families to save for a broad range of expenses on a tax-advantaged basis without jeopardizing their benefits from supplemental security income (SSI), Medicaid and other federal programs. Eligible individuals can open an account for themselves, or an authorized individual can open an account on their behalf.

529 DEDUCTION - Up to \$1,000

Which accounts are eligible?

Only accounts with the *Delaware Education Savings Plan or DE529²* – the 529 plan offered by the State of Delaware – are eligible. Pursuant to the new law, an account holder is only eligible if they intend to use a present or future contribution towards higher education (college or trade school). Furthermore, this specific tax deduction is means tested.

Which contributions are eligible?

Contributions to a Delaware Education Savings Plan account are eligible **EXCEPT** for:

- A contribution resulting from the change of a designated beneficiary.
- A transfer or rollover from another plan or a Delaware Education Savings Plan account.
- Expenses intended or used for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school, AND, will have to be self-certified by the account holder.

Who is eligible?

- *Individual, head of household, married filing separate* tax filers with an AGI of \$100,000 or less.
- *Spouses filing jointly* with an AGI of \$200,000 or less.

How much can be deducted?

¹ <https://legis.delaware.gov/BillDetail?LegislationId=58550>

²529.delaware.gov

- *Individual/head of household/married filing separate: Up to \$1,000.*
- *Spouses filing a join return: Up to \$2,000.*

To learn more about plan benefits, investment options or questions about enrollment, please visit: 529.Delaware.gov

ABLE DEDUCTION - Up to \$5,000

Which accounts are eligible?

Only accounts with the *Delaware Achieving a Better Life Experience (ABLE) program*³ are eligible. Pursuant to the new law, there is no prohibition towards using a present or future withdrawal for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school. Furthermore, this specific tax deduction is NOT means tested.

Which contributions are eligible?

Contributions to a Delaware ABLE account are eligible EXCEPT for:

- A contribution resulting from the change of a designated beneficiary.
- A transfer or rollover from another plan or a Delaware ABLE account.

Who is eligible?

Anyone who has a Delaware ABLE account is eligible. *There are no income limits.*

How much can be deducted?

- *Individual/head of household/married filing separate: Up to \$5,000.*
- *Spouses filing a join return: Up to \$10,000.*

To learn more about plan benefits, investment options or questions about enrollment, please visit: Treasurer.Delaware.gov/ABLE

³ <https://treasurer.delaware.gov/able-program/>