



Indiana Department of Revenue

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Income Tax Information Bulletin #98
Subject: Indiana 529 Savings Plan Credit
Publication Date: January 2026
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References: IC 6-3-3-12; IC 21-9; IRC § 529

Replaces Bulletin #98, dated August 2024

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Summary of Changes

Apart from technical, nonsubstantive changes, this bulletin has been revised to clarify procedures for electing to claim a credit for the immediately preceding taxable year. In addition, this bulletin has been revised to reflect that beginning in 2026, the K-12 tuition annual allowance increased to \$20,000, that non-tuition K-12 expenses are nonqualified withdrawals for purposes of the credit recapture, and that post-secondary credentialing expenses are qualified withdrawals for purposes of the credit recapture.

Introduction

The purpose of this bulletin is to provide guidance concerning the Indiana income tax credit for contributions to the Indiana529 Savings Plan (formerly the Indiana CollegeChoice 529 Savings Plan). The credit applies to contributions made for taxable years beginning after Dec. 31, 2006.

Definitions

Indiana529 is a reference to a plan established by Indiana pursuant to Section 529 of the Internal Revenue Code (IRC). An IRC § 529 plan is a program under which a person may make cash contributions to an account on behalf of a beneficiary for payment of qualified higher education expenses. The program must be established and maintained by a state, a state agency, an instrumentality of the state, or one or more eligible educational institutions. Qualified higher education expenses include tuition, fees, books, supplies, and equipment required by a post-

secondary educational institution for enrollment or attendance. Reasonable room and board expenses for post-secondary education are included if the beneficiary is enrolled at least half-time. In addition, expenses for special needs services at a post-secondary educational institution for a special needs beneficiary are included in the definition of qualified higher education expenses.

Primary or secondary school (K-12) tuition paid for enrollment or attendance at a public, private, or religious school is also considered a "qualified higher education expense" under IRC Section 529. However, no more than \$10,000 (\$20,000 starting in 2026) in K-12 tuition per beneficiary per taxable year will be considered a qualified higher education expense. This limit applies to all distributions from all accounts for that beneficiary and is not on a per-account basis. Further, for Indiana purposes, any withdrawal for K-12 tuition must be used for tuition at an in-state school to be considered a qualified withdrawal. Distributions made from an Indiana 529 Plan that are used to pay for K-12 expenses other than tuition at an in-state school are not qualified withdrawals. The disallowed expenses include:

- Curriculum and curricular materials
- Books or other instructional materials
- Online educational materials
- Tuition for tutoring or educational classes outside of the home
- Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission
- Fees for dual enrollment in an institution of higher education
- Educational therapies for students with disabilities

Effective Jan. 1, 2019, withdrawals used to pay expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act are considered to be qualified withdrawals. Further, effective Jan. 1, 2020, the definition of qualified higher education expenses for Indiana credit recapture purposes excludes withdrawals for payment of student loan expenses. In addition, withdrawals made for qualified postsecondary credentialing expenses as defined in IRC § 529(f) are qualified withdrawals effective for distributions made on or after July 5, 2025.

A "taxpayer" means an individual filing a single return, a married couple filing a joint return, or, effective Jan. 1, 2020, a married individual filing a separate return.

"Contribution" means the amount of money directly provided to an Indiana 529 Savings Plan account by a taxpayer. A contribution does not include the following:

- Money credited to an account as a result of bonus points or other forms of consideration earned by the taxpayer that result in a transfer of money to the account
- Money transferred from any other qualified tuition program under IRC § 529 or from any other similar plan

- Before Jan. 1, 2024, money that is credited to the account and will be transferred to an Achieving a Better Life Experience (ABLE) account
- Beginning Jan. 1, 2024, money transferred from any qualified ABLE program under IRC § 529A or any other similar plan
- Money the account beneficiary receives as a refund of qualified expenses from an eligible educational institution and that is recontributed to the plan for the same account beneficiary within 60 days of the date of the refund

Effective Jan. 1, 2019, a contribution to an Indiana529 Savings Plan account intended to be used to pay for K-12 tuition must be designated as such. Such designation must be made in the manner prescribed by the Indiana529 Savings Plan administrator.

“Qualified withdrawal” means a withdrawal or distribution from an account of the Indiana529 Savings Plan that is made to pay for qualified higher education expenses, excluding any withdrawals or distributions for qualified higher education expenses if the withdrawal or distribution is made from an account that is terminated within 12 months after the account is opened.

Qualified withdrawals also include withdrawals made due to:

- The death or disability of an account beneficiary
- An account beneficiary receiving a scholarship that paid all or part of the qualified higher education expenses of the account beneficiary
- A transfer of funds by the plan from one third-party custodian to another
- A transfer of funds to an Indiana ABLE 529A savings plan, beginning in 2024

“Nonqualified withdrawal” means a withdrawal or distribution from an Indiana529 Savings Plan that is not a qualified withdrawal. Any withdrawal that is not considered a qualified withdrawal for federal purposes is not considered a qualified withdrawal for Indiana purposes.

In addition, the following withdrawals are not considered qualified withdrawals for purposes of recapturing previously claimed credits:

- A rollover distribution or transfer from the Indiana529 Savings Plan to any other IRC § 529 plan or similar plan
- A distribution from the Indiana529 Savings Plan to Roth IRAs, even if it qualifies for rollover treatment under IRC § 529(c)(3)(E). Even though the distribution is excluded from federal income tax, it does not constitute a qualified education expense as defined in IRC § 529.
- For 2023 and earlier, a distribution or transfer from the Indiana529 Savings Plan to an Achieving a Better Life Experience (ABLE) account
- For 2024 and later, a distribution or transfer from the Indiana529 Savings Plan to an Achieving a Better Life Experience (ABLE) account other than an Indiana ABLE 529A savings plan
- Amounts used to pay for tuition at an out-of-state K-12 school
- Effective Jan. 1, 2020, a withdrawal used to pay student loans incurred to pay higher education expenses, as otherwise permitted under IRC § 529(c)(9). Such payments have been defined to not be “qualified higher education expenses” under IC 6-3-3-12(g).

- For calendar year 2019 only, such withdrawals **will** be recognized as a qualified withdrawal, provided that the other qualifications under IRC § 529(c)(9) are met.
- For years before 2019, such withdrawals did not constitute qualified withdrawals for both federal and Indiana purposes.

The explanation above affects only whether a withdrawal will result in a credit recapture. Indiana follows the same rules as federal law regarding whether the withdrawn amount (or a portion of the amount) is considered adjusted gross income. Thus, a withdrawal may be subject to credit recapture for Indiana purposes even if the withdrawal is not subject to state adjusted gross income tax or federal income tax.

Tax Credit Availability

For tax years 2022 and earlier, the tax credit is available only to taxpayers who made a contribution to an account in the Indiana529 Savings Plans postmarked or received by a delivery service by Dec. 31 of the year for which the contribution is made. An electronic funds transfer initiated on or by Dec. 31 is eligible for the credit for the year the transaction was made. The contributor does not have to be the owner of the account to be eligible to claim the credit. Contributions to accounts established through private colleges or universities or in a 529 plan not offered by the State of Indiana are not eligible for the credit; however, funds in the Indiana529 Savings Plan can be used by the account beneficiary to pay qualified higher education expenses for attendance at any eligible educational institution.

For tax years 2023 and later, the tax credit also is available to individuals who make a contribution to an Indiana529 Savings Plan during the current year on or before the due date of the individual's return (i.e., April 15, adjusted for weekends and holidays) for the immediately preceding tax year prior to any extensions, and:

1. irrevocably elect to treat the contribution as being made in the previous tax year, and
2. irrevocably elect to treat the contribution as not being eligible for credit for the current tax year.

The date on which a contribution is made will follow the pre-2023 rules for postmark or electronic transfer date. In addition, if a contribution is:

- attempted but not accepted due to error, such as a dishonored payment or erroneous account entry, and
- the error is later corrected to permit the contribution,

the contribution will be treated as being postmarked, received, or initiated on the day the contribution is completed without error, **not the day on which the contribution was first attempted.**

To designate a contribution made on or before April 15, 2024, as a taxable year 2023 contribution for credit, the election must be made no later than July 31, 2024. For taxable years 2024 or later, the election to treat a contribution made between Jan. 1 of the following calendar year and the due date of an individual's tax return for that taxable year (prior to extensions) must be made no later than the due date of the individual's tax return for that taxable year (prior to extensions). For

taxable year 2025 and later, the election for a contribution shall be designated in one of the following manners:

- If you are making a contribution online to an existing Indiana529 account, select the year that you would like assigned to your contribution using the dropdown menu.
- If you are making a contribution online during the enrollment process to create a new Indiana529 account, contact the plan to change the year on your contribution.
- If you are mailing a check for a contribution to an Indiana529 account, send a letter of instruction designating the contribution for the taxable year preceding the contribution year along with the check. Designate the account(s) for which the election is made.
- You may also designate a contribution to be made for the taxable year preceding the contribution year by contacting the Indiana529 call center at 866-485-9415 no later than the original due date of the return. Provide any information required by the Indiana Education Savings Authority.

Failure to follow these procedures for a contribution will result in the contribution not being permitted for credit purposes for the immediately preceding taxable year. However, the disallowed contribution will be permitted for credit purposes in the taxable year in which the contribution occurs.

The tax credit is available to an individual filing a single return or a married couple filing a joint return. Effective Jan. 1, 2020, the tax credit is available to married individuals filing separate returns. The taxpayer is entitled to a credit against the state adjusted gross income tax liability for a taxable year. The credit cannot be used to offset any county tax liability. For 2018, the amount of the credit is the lesser of the following:

- 10% of the amount of all contributions made for K-12 tuition (up to a maximum credit of \$500) plus 20% of the amount of all contributions for post-secondary education the taxpayer makes to an account(s) of the Indiana529 Savings Plan during the taxable year
- The amount of the taxpayer's adjusted gross income tax liability for the taxable year reduced by the amount of credits allowed under IC 6-3-1 through IC 6-3-7
- \$1,000

Example #1: A taxpayer establishes an account for their child. The taxpayer contributes \$4,000 in 2018 to the plan during the taxable year for K-12. The taxpayer would be eligible for a tax credit of \$400. The child's grandmother makes a \$10,000 contribution to the same account during the same taxable year, also for K-12. The grandmother would be eligible to claim a tax credit of \$500 (maximum allowed for K-12).

If the taxpayer's 2018 contribution had been \$6,000 for K-12 and \$4,000 for college expenses, the taxpayer would have been eligible for a \$500 credit for K-12 (the maximum for K-12) and an \$800 credit for the college expense portion, for a total of \$1,300. However, this is subject to the \$1,000 aggregate cap, so the maximum allowable credit is \$1,000.

For the 2019 through 2022 tax years, the amount of the credit is the lesser of the following:

- 20% of the amount of all contributions the taxpayer makes to an account(s) of the Indiana529 Savings Plan during the taxable year, including those designated for K-12 tuition
- The amount of the taxpayer's adjusted gross income tax liability for the taxable year reduced by the amount of credits allowed under IC 6-3-1 through IC 6-3-7
- \$1,000 for single individuals and married individuals filing a joint return
 - For 2020 and later, this is \$500 for married individuals filing a separate return. Prior to 2020, married individuals filing a separate return were not permitted a credit.
 - In the case of a married individual filing a separate return, the credit is permitted only for that individual's contributions. The other spouse's contributions may not be claimed by the separately-filing individual.

Example #2: A taxpayer establishes an account for their child in 2020. The taxpayer and their spouse file separate returns. Taxpayer contributes \$2,000 to the plan during the taxable year for college expenses. The taxpayer would be eligible for a tax credit of \$400. The spouse makes a \$1,000 contribution to the same account during the same taxable year for college expenses, making the spouse eligible to claim a tax credit of \$200. Neither the taxpayer nor the spouse may use the other's contribution in determining their respective credits.

Beginning with the 2023 tax year, the amount of the credit is the lesser of the following:

- 20% of the amount of all contributions the taxpayer makes to an account(s) of the Indiana529 Savings Plan during the taxable year, including those designated for K-12 tuition
- The amount of the taxpayer's adjusted gross income tax liability for the taxable year reduced by the amount of credits allowed under IC 6-3-1 through IC 6-3-7
- \$1,500 for single individuals and married individuals filing a joint return
 - This is \$750 for married individuals filing a separate return.
 - In the case of a married individual filing a separate return, the credit is permitted only for that individual's contributions. The spouse's contributions may not be claimed by the separately-filing individual.

Any taxpayer who makes a contribution to an Indiana529 Savings Plan is eligible for the tax credit even if the taxpayer is not the owner of the account.

Example #3: A taxpayer establishes an account for their child. The taxpayer contributes \$4,000 to the plan during the taxable year for college expenses. The taxpayer would be eligible for a tax credit of \$800. The child's grandmother makes a \$15,000 contribution to the same account during the same taxable year for college expenses. The grandmother would be eligible to claim a tax credit of \$1,500 (maximum allowed), subject to applicable limitations for the grandmother.

A taxpayer qualifying for the credit is not entitled to a carryback, carryforward, or refund of any unused credit. The tax credit may not be sold, assigned, or transferred by the taxpayer eligible to claim the credit.

A taxpayer shall claim the credit on their annual state income tax return. The taxpayer, upon request of the department, shall submit proof of the amount of the contributions made to the trust account during the taxable year.

Example #4: A taxpayer's Indiana tax liability for 2023 is \$1,000. The taxpayer has made prior tax payments in 2023 to the department via withholding or estimated payments of \$1,300. The taxpayer has contributed \$400 to Indiana colleges in 2020 and is eligible to claim a \$200 college credit. The taxpayer made a \$5,000 contribution to an account of the Indiana529 Savings Plan for college expenses in 2023, so the taxpayer is entitled to a \$1,000 529 Plan credit. On the taxpayer's 2023 adjusted gross income tax return, the \$200 college credit is applied to reduce the taxpayer's tax liability from \$1,000 to \$800. Then, \$800 of the 529 Plan credit is applied against the \$800 balance of the taxpayer's tax liability to reduce this tax liability to \$0. The remaining \$200 of the 529 Plan credit is not usable. Since the combination of the college credit and 529 Plan credit has reduced the taxpayer's liability to \$0, the taxpayer has overpaid their 2023 taxes by \$1,300 and is entitled to a \$1,300 refund. The taxpayer is not entitled to any refund, carryback, or carryforward of the \$200 unused 529 Plan credit.

Tax Credit Recapture

An account owner of an Indiana529 Savings Plan who makes a nonqualified withdrawal in a taxable year must repay all or part of the tax credit in the year in which the nonqualified withdrawal is made from the account. The amount to be repaid is equal to the lesser of:

- 20% of the total amount of nonqualified withdrawals made during the taxable year from the account
- The excess of the cumulative amount of all credits that are claimed by any taxpayer with respect to the taxpayer's contributions made to the account for all taxable years beginning on or after Jan. 1, 2007, minus the cumulative amount of tax credits repaid by the account owner for all prior taxable years beginning on or after Jan. 1, 2008

The required repayment shall be reported by the account owner on their annual income tax return for the taxable year in which the nonqualified withdrawal is made. The account owner must include Schedule IN-CR with the return and list the repayment on Schedule 4 of Form IT-40 or Schedule E of Form IT-40PNR, whichever is appropriate. The repayment is treated as a state income tax for purposes of IC 6-3-4-4.1. Refer to [Income Tax Information Bulletin #3](#) for further information related to estimated payments, penalties, and special rules related to estimated payments.

If an account owner is not otherwise required to file an annual income tax return for a taxable year in which a nonqualified withdrawal is made and the account owner does not make the required repayment, the department shall issue a demand notice in accordance with IC 6-8.1-8-2.

The Indiana529 Savings Plan is administered through the [Indiana Education Savings Authority](#).

If you have any questions concerning this bulletin, contact the [Tax Policy Division](#).

A handwritten signature in black ink that reads "M. Kevin Gulley". The signature is written in a cursive style with a large, prominent initial "M".

M. Kevin Gulley
Commissioner
Indiana Department of Revenue