



# FAQ: New Federal Law Expands Use of 529 Plans to Include Qualified Expenses on Credentialing Programs

Congress recently passed the *Freedom to Invest in Tomorrow's Workforce Act* as part of a broader overhaul of the tax code, incorporating the bill into the One Big Beautiful Bill Act. The bill was signed into law on July 4, 2025. As a result, [Section 529](#) of the Internal Revenue Code has been amended to add a new subsection on “qualified postsecondary credential expenses.”

This new law expands the qualified uses of 529 Plans (also known as Qualified Tuition Programs) to include costs associated with postsecondary training and credentialing programs, such as occupational licenses and nongovernmental professional certifications. This important change transforms 529 Plans from college savings vehicles into more flexible *career savings plans*.

Below are answers to common questions about 529 Plans and the expansion to cover eligible postsecondary credentialing programs:

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## What is a 529 Plan?

A 529 Plan is a tax-advantaged savings plan that has traditionally been used to save for a named beneficiary's enrollment at a college or university. Contributions to 529 Plan accounts are made on an after-tax basis, but 529 Plan distributions (withdrawals) are not subject to federal taxes on any increase in value if they are used to pay for qualifying expenses. Most states also provide for state tax advantages for 529 Plans. Anyone can set up and contribute to a 529 Plan and name anyone – including themselves – as a beneficiary; the contributor can also substitute beneficiaries. The contributor can elect to purchase a pre-paid college plan or invest contributions and utilize the investment returns to pay qualified education expenses for the beneficiary in the future. Almost every state sponsors a 529 Plan, but you generally don't need to be a resident of a particular state to invest in its 529 plan. (More information about 529 Plans as they existed before the postsecondary credential expansion is available in Section 7, “Qualified Tuition Programs” of [IRS Publication 970: Tax Benefits for Education](#).)

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## How does the new law expand 529 Plans for Postsecondary Credentials?

The new law permits 529 plans to be used for ***qualified postsecondary credentialing expenses***. These expenses include:

- tuition, fees, books, supplies, equipment, and similar expenses required for the enrollment or attendance of a designated beneficiary in a ***recognized postsecondary credential program***,
- fees for testing if such testing is required to obtain or maintain a ***recognized postsecondary credential***, and
- fees for continuing education if such education is required to maintain a ***recognized postsecondary credential***.

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## What is considered a ***Recognized Postsecondary Credential***?

Under the new law, ***qualified postsecondary credentialing expenses*** include those incurred in connection with obtaining or maintaining a ***recognized postsecondary credential*** – such as examination fees, license fees, or continuing education fees that are required to maintain the certification or license. Some credentials are automatically designated as ***recognized postsecondary credentials*** for which beneficiaries of a 529 Plan can incur qualified expenses. These include:

- Certifications issued by programs that are accredited by the Institute for Credentialing Excellence (I.C.E.), the National Commission on Certifying Agencies, or the American National Standards Institute.
- Employment credentials that are included in the Credentialing Opportunities On-Line (COOL) directories maintained by the Department of Defense or by any branch of the Armed Forces.
- Any occupational or professional license that is issued or recognized by a state or the federal government.
- Any certification that is required for an occupational or professional license.
- Certificates of completion of apprenticeships that are registered and certified under the National Apprenticeship Act.

The new law also calls for the Internal Revenue Service (IRS) to identify other postsecondary credentials that are industry recognized and can become eligible for funding through 529 Plans.

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### What is considered a *Recognized Postsecondary Credential Program*?

Under the new law, training and education expenses for enrollment in a program that prepares participants to take an examination that is developed or administered by an organization widely recognized as providing reputable credentials in the occupation also count as qualified postsecondary credentialing expenses that can be financed with 529 plan funds – even if they are not connected to an institution of higher education. Other training or education programs qualify if they are:

- Included on state list of programs approved under section 122(d) of the Workforce Innovation and Opportunity Act (WIOA).
- Listed in the Department of Veterans Affairs' WEAMS Public directory.

The new law also calls for the IRS, in consultation with the U.S. Department of Labor, to identify other reputable postsecondary credentialing programs for which 529 plans funds can be used.

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### How can I find out if my credential is included in any of these categories?

You can use the following resources to identify whether your credential or credentialing program is included in any of the categories listed in statute related to the 529 Plan expansion:

- **Institute for Credentialing Excellence (I.C.E.) and National Commission on Certifying Agencies (NCCA) Lookup Tool:** <https://ice.learningbuilder.com/Search/Public/MemberRole/ProgramVerification2>
- **American National Standards Institute (ANSI) Certificate Accreditation Program Directory:** <https://anabpd.ansi.org/accreditation/credentialing/certificate-issuers/AllDirectoryListing?prgID=212,238&statusID=4>
- **Workforce Innovation and Opportunity Act (WIOA) Approved Programs:** These may vary by state. Use this tool to identify your local workforce board to find more information about approved programs. <https://www.careeronestop.org/LocalHelp/AmericanJobCenters/find-american-job-centers.aspx>
- **Credentialing Opportunities On-Line (COOL) Directories:**
  - **Army:** <https://www.cool.osd.mil/army/credsearch/index.html>
  - **Navy:** <https://www.cool.osd.mil/usn/credsearch/index.html>
  - **Marine Corps:** <https://www.cool.osd.mil/usmc/index.html>
  - **Coast Guard:** <https://www.cool.osd.mil/uscg/index.html>
  - **DOD Civilian:** <https://www.cool.osd.mil/dciv/credsearch/index.html>

- **Department of Veterans Affairs Web Enabled Approval Management System (WEAMS):** <https://inquiry.vba.va.gov/weamspub/buildSearchInstitutionCriteria.do>
- **Registered Apprenticeship Occupations Search:** <https://www.apprenticeship.gov/apprenticeship-occupations>
- **Occupational and Professional Licenses Recognized by a state or federal government:** These will vary by state and are typically accessed through a state agency that administers licensure programs. This resource from Western Carolina University compiles state agencies and websites related to state-recognized licenses: [https://www.wcu.edu/\\_files/academic-enrichment/Licenseprofessionals.pdf](https://www.wcu.edu/_files/academic-enrichment/Licenseprofessionals.pdf)

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### When does the 529 Plan expansion to postsecondary credentialing programs take effect?

The expansion of 529 Plans to postsecondary credentialing programs should be available immediately under the new law. Any withdrawals from a 529 Plan after July 4, 2025, for qualified expenses at an eligible postsecondary credential program will be eligible for the same favorable tax treatment as traditional uses. Because the law became effective immediately, some 529 Plans may still need to work out the implementation details, however.

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### How can I use my 529 Plan funds for a credentialing program?

For 529 Plan holders, the first step in using your 529 Plan funds for a credentialing program is to contact your 529 Plan administrator. Ask if your 529 Plan has an option to make withdrawals to pay for qualified credentialing expenses.

Most states will already allow you to be reimbursed by your 529 Plan for qualified expenses made for credentialing programs. You may be asked to attest that the withdrawal is intended as a reimbursement for a qualified credentialing program expense. 529 Plan beneficiaries are encouraged to keep receipts and records related to any qualified credentialing expenses, in case of an IRS audit, and to consult with a tax professional to ensure withdrawals are made according to the requirements of 529 Plans.

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### What happens if my state is not ready to implement the 529 Plan expansion to credentialing programs?

While the largest state 529 program — Virginia's Invest529 — has already operationalized the expansion (see <https://www.invest529.com/529-basics/qualified-expenses/>), some state 529 plans are still updating programs and systems to implement this expansion of 529 Plans. For some, the state law automatically tracks current federal tax law, so only an administrative process is needed to implement the expansion. But [other states](#) may have to pass state legislation to conform changes in the federal Internal Revenue Code into their own state laws.

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## What should consumers know about 529 Plans?

As 529 Plans are expanded, new populations may develop an interest in using 529 Plans. Providers of certification, credentialing, and training programs can make new audiences aware of the advantages of 529 Plans and correct misperceptions. Help get the word out:

- **529 Plans are more flexible than ever before:** In addition to the traditional uses for 529 Plans at two- and four-year higher education programs, 529 Plans can now be used for credentialing programs and certain K-12 education expenses.
- **529 Plan funds won't be lost if not used for college:** People may be concerned about losing access to funding or tax benefits for funds not related to traditional uses for 529 Plans. With the expansion to credentialing programs, 529 Plans have more uses throughout an adult's educational and credentialing progress throughout their career.
- **529 Plan Beneficiaries are Transferrable:** 529 Plan beneficiaries can be changed so that funding can be directed to the education of someone else if the original beneficiary no longer has use for the 529 Plan funds.

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## How can certification, credentialing, and training providers help publicize the expansion of 529 Plans?

Certification, credentialing, and training program providers should identify whether the program they offer is eligible for the 529 Plan expansion under the new law. If the credential or program already meets one of the definitions in the new law, the program can advertise to prospective students and candidates that some of their expenses can be funded with 529 plan withdrawals.

If your credential or training program is not automatically eligible under any of the categories listed in statute and you think that any IRS guidance should include it, please contact the Professional Certification Coalition to participate in outreach to the IRS as the agency considers actions to fully implement the 529 Plan expansion.

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## If I offer a credential or training program, where should I go for additional information?

Find additional information about 529 Plans at the Professional Certification Coalition's website:  
<https://www.profcertcoalition.org/>

For additional questions about the expansion of 529 Plans related to credentials and training programs, please email: [info@profcertcoalition.org](mailto:info@profcertcoalition.org)



*This document was created by the Professional Certification Coalition (PCC). The PCC addresses public policy that impacts certifications developed and/or offered by non-governmental organizations, educates stakeholders about the benefits of certification, and advances policies to help develop the workforce. The Institute for Credentialing Excellence, the American Society of Association Executives, and the Pillsbury law firm founded the PCC in 2018.*