



NEW TAX BENEFIT FOR INDEPENDENT SCHOOL PARENTS AND GRANDPARENTS

Mirowitz families may benefit from the recent changes to the federal tax code. The recently passed federal tax law allows parents or grandparents to make contributions to a child’s Missouri 529 MOST account for K-12 tuition, in addition to expenses for higher education that are already permitted.

The Missouri 529 MOST account is an investment program sponsored by the Missouri State Treasurer’s office. Anyone can open a MOST account, including parents, grandparents, or friends of K-12 or college-aged students. In this way, if parents lack financial resources, others can contribute to the family’s MOST account.

Interest earnings on contributions made to MOST accounts are **not** subject to state or federal taxes. Furthermore, qualified distributions from the account (those for higher education expenses, and now K-12 tuition) are also not taxed. Parents can withdraw up to \$10,000 annually for independent school K-12 tuition per student as an eligible distribution from a MOST account. Parents can elect to make contributions to the MOST account according to their own timetable, such as monthly.

Funds contributed to a MOST account are deducted from the parents’ taxable income. For example, if a Mirowitz parent contributes \$5,000 during the year to their child’s MOST account, \$5,000 will be deducted from their taxable income for state tax purposes. Larger contributions to MOST accounts will further reduce taxable income.

Reducing taxable income, in turn, will reduce the state tax bill parents pay. (Other factors may affect the tax benefit realized, but this change in federal law will provide a real state tax benefit to parents.) See the following table:

Amount Contributed	Reduction in Taxable Income	Reduction in Tax Bill*
\$5,000	\$5,000	\$300
\$7,000	\$7,000	\$420
\$10,000	\$10,000	\$600

**Based on Missouri’s highest tax rate of 6%, \$5,000 x 6% = \$300*

Parents or grandparents should consult with their local bank or financial advisor regarding the advisability of setting up a 529 MOST account.

