

If you have a child (or a grandchild) who is going to attend college in the future you have probably heard about qualified tuition programs, also known as 529 plans (for the Internal Revenue Code section that provides for them), which allow prepayment of higher education costs on a tax-favored basis. There is a provision in the recently enacted "American Recovery and Reinvestment Act of 2009" (the Act) which enhances the flexibility of 529 plans.

Under 529 plan rules, distributions from the program are tax-free if they don't exceed the student's qualified higher education expenses. These include tuition, fees, books, supplies, room and board (if the student is enrolled at least half-time), and required equipment. Under pre-Act rules, the cost of a computer doesn't qualify as an eligible expense unless the computer is required by the college or by a specific degree program or course. The new law changes that rule to allow money from 529 plans to be used to purchase computers and related technology. The change applies for 2009 and 2010.