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SAVINGS PLANS

Va. representatives push Congress to let families use 529 savings to pay for workforce training without IRS penalties

Michael Martz

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In Virginia's Northern Neck, a job as a marine services technician is a big deal.

A high school student could get that kind of training through the **Northern Neck Technical Center**, which serves six public school divisions in a region defined by its proximity to the Chesapeake Bay. But a graduate who isn't college bound also could go to a school that Yamaha offers for technical training on the outboard motors it sells for boats.

"That's definitely not your typical four-year program," said Richmond County School Superintendent Bernard "Trey" Davis, who also is superintendent of the technical center in Warsaw.

It's also not eligible for payment under Virginia 529 savings accounts that families have built for years to cover the costs of their children's education after high school, and Davis thinks that's a shame.

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"The ultimate goal of education is to train a workforce," he said. "I think it's a big disservice to a large population."

Fortunately, one of Davis' lifelong friends, **Rep. Rob Wittman**, R-1st, is trying to do something about it. Wittman and **Rep. Abigail Spanberger**, D-7th, are trying for the third time to persuade Congress to change the Internal Revenue Code to allow 529 savings accounts to be used without tax penalty to pay for nontraditional workforce training and accreditation programs.

They have reintroduced the "**Tomorrow's Workforce Act**" to allow students and their families to use their educational savings for programs that currently are not eligible because they do not qualify for financial aid under the Higher Education Act, adopted in 1965.

"There's no flexibility in the 529 savings plan for how that money can be used," said Wittman, a former marine scientist in Westmoreland County who now represents some of the same communities in the Richmond area that Spanberger did before redistricting turned the congressional map upside down at the end of 2021.

"There is no ability in the program as it exists for students and parents to get the money they've saved for (nontraditional) training and credentialing programs," he said in an interview on Wednesday.

Spanberger, serving her third term in a district that extends from Caroline County through the Fredericksburg area to Prince William and King George counties, does not think that is right.



Wittman

Leah Herman

“As a mom of three school-aged kids, I know that parents have to plan many years ahead of time to make sure they are saving for their children’s future,” she said in a statement on Wednesday. “This legislation recognizes that a four-year college is not always the right option for every Virginia student. Not everyone needs a four-year degree to succeed, and our bipartisan bill would help train Virginians for many high-demand and good-paying jobs — including nursing, medical coding, IT, and skilled trades.”



Spanberger
Nathan Howard, Associated Press

The congressional effort is fully supported by the Virginia 529 program, said Mary Morris, its chief executive officer. “We helped shape it.”

The program is best known for plans that help families save for college tuition and fees, but it has been broadened over the years to include costs of outside training and certification for students in K-12 schools, as well as accounts for people with disabilities.

Students can get funding for registered apprenticeship programs, but not for training and credentialing offered at nontraditional private institutions.

“It’s just a gap,” Morris said.

The Virginia Technical Academy operates in that gap. Founded three years ago in Newport News, the privately owned and operated academy provides four levels of training, up to 800 hours, for people to learn how to be plumbers, electricians, and technicians in heating, ventilation and air conditioning, or to train as workers in construction trades.

It draws not only from Hampton Roads but also from the Richmond area and Northern Virginia and into North Carolina. The academy has graduated 857 students, almost all of them to good-paying jobs, said David Gillespie, its founder and president.

But Gillespie said he also has had to turn away 250 to 300 prospective students in the past three years because they had no way to pay for the training — up to \$10,000 for all four levels.

He does not know how many could have paid with 529 funds. “It was never a question to ask because I knew I couldn’t receive those funds,” he said.

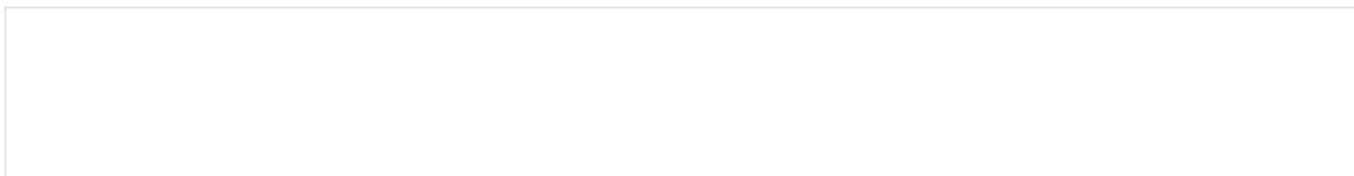
The academy is certified under other government programs, including Veterans Affairs, the Virginia Department of Professional and Occupational Regulation, and the federal Workforce Innovation and Opportunity Act, he said. It currently has about 100 students enrolled this semester, but it could take up to 350, not including students who are seeking to be recertified in their trades or gain additional training through continuing education.

If the academy were certified to receive 529 funds, Gillespie predicted, “I would be filling the house.”

Former state Sen. Walter Stosch, a Henrico Republican with a keen interest in improving access to higher education, serves on the Virginia 529 Board of Directors.

“Anything you can do to provide greater flexibility to Virginia 529 would be good in terms of access and affordability,” Stosch said.

For families, withdrawing the money for noneligible programs comes at a high price. They would have to pay tax on the income and a 10% penalty on the portion of the funds from interest earnings on the principal they contributed after tax.





Breakdown on budget leaves Virginians in lurch with uncertain economy

“For parents, it’s a big tax burden in order to get those dollars back,” Wittman said.

Davis, the school superintendent in Richmond County, said public interest in the option has intensified as the cost of college education has risen and families look to other options.

“In the past four to five years, we’ve had a strong push for it,” he said.

Wittman and Spanberger first introduced the legislation in 2019 and again in 2021. They hope it will get a hearing and markup in the House Committee on Ways and Means, and reach the House floor this fall.

“It’s getting the momentum,” Morris said at Virginia 529.
