



## Pay for College Credit Via 529 Plans While in High School

Money in a 529 plan account could be used by a high school student to pay for dual enrollment classes.

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There are many ways students can earn [college](#) credit while they are still in high school. Doing so also means students can pay for some of the credit via [529 plans](#), tax-advantaged college savings accounts.

Bob Bardwell, a counselor at [Monson Innovation High School](#) in Massachusetts, says students can earn up to 60 credits before stepping foot on campus for the first year of college.

Unfortunately, not all of the associated costs of these programs can be withdrawn from 529 plans without a tax penalty. Here's what parents and students need to know about when to use 529 plan savings to pay for three common college credit options.

**1. Dual-credit classes:** "Dual enrollment is when a high school student can take college courses at the same time as being enrolled in high school," says Bardwell. "Qualifications vary by college and high school, and some colleges will pay for the courses while others will not."

"I've had some students who spent their entire junior and senior year at a local college and basically completed two years of college while still in high school," says Bardwell. "Others just take a course or two, and now with online options, they do not even have to leave high school if they don't want to."

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If the [high school](#) doesn't cover the costs of courses, parents can withdraw money from 529 plans saved for their kids' college education. "Tuition and fees for college courses, regardless of when they are taken, are always qualified higher education expenses," says Mike Fitzgerald, chairman of the College Savings Plans Network.

Jimmy Williamson, an Alabama-based certified public accountant and personal finance specialist, says that as long as college credits are earned at a federally approved eligible institution, [money can be withdrawn without tax penalty](#) from a 529 plan. Vocational courses taken at an eligible postsecondary school count as well, he says.

**2. Advanced Placement tests:** Many high schools offer classes that allow students to take a test that many colleges accept for credit. The Advanced Placement exams cost \$89 – students can appeal to take them for less if they can prove financial need – but may not be paid for with college savings in a 529 plan, Fitzgerald says.

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But the tests can still save families a tremendous amount of money in the long run by cutting down on the number of college courses students need to fulfill the requirements of bachelor's degree, he says.

"Many colleges/universities will award college credit for scores of a 3, 4 or 5 on the AP exam," Bardwell says. Even if students don't get credit, they may be able to take a more challenging course to fill a requirement for their degree instead of an introductory level course, he says.

However, parents should find out if the schools on their teen's college choice list accept AP credit before paying for testing.

"Some colleges will not award credit regardless of the score," Bardwell. "There is a growing trend that more selective institutions are no longer awarding college credit for high AP scores."

**3. College Level Examination Program tests:** These exams, known as [CLEP tests](#), are similar to AP tests in that students can test out of college courses or get college credit. The difference is that CLEP tests don't accompany high school classes.

CLEP tests currently cost \$80. While AP test fees can't be paid for from 529 plan savings, in some cases CLEP fees can – if they are taken during college, Fitzgerald says.

"If the student is already enrolled in college and is taking CLEP to substitute for college credits, then costs of the test might be covered," he says.

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That's because the exams taken during college meet the IRS standard of being taken at an eligible educational institution – the same reason dual-credit courses are covered.

Since what qualifies as a withdrawal free from tax penalties may vary by 529 plan, families should consult both their 529 plan manager and a tax professional before withdrawing funds for CLEP tests, Fitzgerald says.



High school students earning college credits may be able to pay for them with 529 plan funds.