

What are Credentialing Expenses?

FAQs on the New Tax-Free Distributions from 529 Accounts for Qualified Postsecondary Credentialing Expenses

The One Big Beautiful Bill Act (OBBBA) amended the rules for 529 plans by providing that tax-free distributions from a 529 account may now be used for certain credentialing expenses referred to as “qualified postsecondary credentialing expenses” (QPCEs). This change is effective for distributions made after July 4, 2025.

This FAQ guide is intended to serve as a resource for CSF members in determining whether an expense is a QPCE. It was prepared by Davis & Harman, LLP, and is based on their current interpretation of the new law, including the statutory definition of a QPCE as provided in new subsection 529(f) of the Internal Revenue Code (Code). This guide does not constitute legal advice, and taxpayers should consult their own tax advisers before taking any position that a distribution is tax-free.

There are a number of terms in the new law with respect to which 529 plans and beneficiaries may need guidance from the Internal Revenue Service (IRS). As of the date of this guide, the IRS has not issued any guidance on QPCEs. A project to provide guidance on the changes made to Code section 529 by the OBBBA is on the current “guidance priority list” issued by the Treasury and the IRS, although the timing of the issuance of any such guidance is uncertain given other IRS priorities. Any future guidance may require updates to these FAQs.

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1. How did the OBBBA incorporate credentialing expenses into the tax rules governing 529 plans?

In general, distributions from 529 accounts are permitted on a tax-free basis if they are used for “qualified higher education expenses.” Prior to the enactment of the OBBBA, the term qualified higher education expenses was defined in Code section 529(e)(3) to include items such as college, university, or vocational school tuition and required fees for certain apprenticeship programs, but it did not include expenses associated with credentialing programs. The OBBBA amended the Code’s definition of qualified higher education expenses by expanding the term to newly include “qualified postsecondary credentialing expenses” (QPCEs). QPCEs, in turn, are defined in new Code section 529(f).

2. Why did Congress expand qualified 529 distributions to include credentialing expenses?

The expansion of tax-free distributions from 529 accounts to include QPCEs is part of a long-running effort to make 529 plans work for beneficiaries beyond those seeking a traditional college or university degree. This change, as enacted by the OBBBA, had been proposed previously in other legislation and was supported by CSF.

A committee report prepared by the Budget Committee of the U.S. House of Representatives during the legislative process that resulted in the OBBBA described the reason for this change as follows:

The Committee believes taxpayers should be provided with broader choices in education including, for example, obtaining and maintaining post-secondary credentials like licenses and certifications. Expansion of qualified expenses for 529 plans to include postsecondary credentialing expenses would allow American students and workers to make pursue education and training as they see fit and save accordingly.

3. What is the effective date of the expansion of qualified 529 distributions to include credentialing expenses?

The provision in the OBBBA that expands qualified distributions from 529 plans to include QPCEs is applicable to distributions made after the date of enactment. Because the OBBBA was enacted on July 4, 2025, that means distributions made on or after July 5, 2025 may be used for credentialing expenses that meet the definition of a QPCE. That definition is addressed in more detail in several of the FAQs below.

4. Does the administrator of a 529 program need to verify that any expenses associated with a credentialing program meet the requirements to be a QPCE for reporting purposes?

No. Distributions from a 529 program are reported on Form 1099-Q the same way regardless of whether or not the distribution is for a qualified expense.

5. Did the OBBBA make other changes to 529 plans?

Yes. Although this FAQ guide focuses on the expansion of tax-free distributions from 529 plans to cover certain credentialing expenses, the OBBBA also made the following changes to 529 plans:

- The OBBBA made permanent the tax provision allowing tax-free rollovers from a 529 account to an ABLE account.
- For taxable years beginning after December 31, 2025, the OBBBA increases (from \$10,000 to \$20,000) the amount of eligible expenses in connection with enrollment or attendance at an elementary or secondary public, private, or religious school that may be treated as “qualified higher education expenses.”
- Effective for distributions on or after July 5, 2025, the OBBBA expands qualified expenses in connection with elementary or secondary school to include, in addition to tuition expenses, a number of additional items such as curriculum and curricular materials, books, and fees for nationally standardized achievement tests, advanced placement exams, tutoring, and college admission exams.

6. What is a “Qualified Postsecondary Credentialing Expense” (QPCE)?

As discussed in FAQ #1, qualified higher education expenses for purposes of 529 plans have been expanded to include “qualified postsecondary credentialing expenses” (QPCEs). Code section 529(f) defines a QPCE to mean any of the following:

- tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a **recognized postsecondary credential program**, or any other expense incurred in connection with enrollment in or attendance at a **recognized postsecondary credential program** if such expense would, if incurred in connection with enrollment or

attendance at an eligible educational institution, be covered under Code section 529(e)(3)(A);¹ [See FAQs #7, #9-13]

- fees for testing if such testing is required to obtain or maintain a **recognized postsecondary credential**; and [See FAQs #8, #14-22]
- fees for continuing education if such education is required to maintain a **recognized postsecondary credential**. [See FAQs #8, #14-22]

As indicated by the bolded terms that appear in the above bullets, in order to determine whether an expense is a QPCE, it is first necessary to determine whether an expense was incurred in connection with a “**recognized postsecondary credential program**” or a “**recognized postsecondary credential**.”

The remaining FAQs below are intended to provide assistance in determining whether a program is a “recognized postsecondary credential program” or a credential is a “recognized postsecondary credential.”

7. What is a “Recognized Postsecondary Credential Program” (RPCP)?

Code section 529(f)(2) defines an RPCP to mean any program to obtain a recognized postsecondary credential if:

- such program is included on a **State list** prepared under section 122(d) of the Workforce Innovation and Opportunity Act; [See FAQ #9]
- such program is listed in the **public directory of the Web Enabled Approval Management System (WEAMS)** of the Veterans Benefits Administration; [See FAQ #10]
- an examination (developed or administered by an **organization widely recognized as providing reputable credentials in the occupation**) is required to obtain or maintain such credential and such organization recognizes such program as providing training or education which prepares individuals to take such examination; or [See FAQs #11-12]

¹ Subject to certain exceptions, Code section 529(e)(3)(A) defines the term qualified higher education expenses in general to mean (i) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution; (ii) expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance, and (iii) expenses for the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution.

- such program is ***identified by the Secretary [of Treasury]***, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential for purposes of this subparagraph. [\[See FAQ #13\]](#)

8. What is a “Recognized Postsecondary Credential” (RPC)?

Code section 529(f)(3) defines an RPC to mean:

- any postsecondary employment credential that is industry recognized and is—
 - any postsecondary employment credential issued by a program that is accredited by the **Institute for Credentialing Excellence**, the **National Commission on Certifying Agencies**, or the **American National Standards Institute**, [\[See FAQs #14-16\]](#)
 - any postsecondary employment credential that is included in the **Credentialing Opportunities On-Line (COOL) directory of credentialing programs** (or successor directory) maintained by the Department of Defense or by any branch of the Armed Forces, or [\[See FAQ #17\]](#)
 - any postsecondary employment credential **identified for purposes of this clause by the Secretary**, after consultation with the Secretary of Labor, as being industry recognized; [\[See FAQ #18\]](#)
- any certificate of completion of an **apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act**; [\[See FAQ #19\]](#)
- any **occupational or professional license issued or recognized by a state or the Federal Government** (and any **certification that satisfies a condition for obtaining such a license**), and [\[See FAQs #20-21\]](#)
- any **recognized postsecondary credential as defined in section 3(52) of the WIOA**, provided through a **program included on a State list prepared under section 122(d) of the WIOA**. [\[See FAQs #22, #9\]](#)

9. How do I determine whether a program is included on a state list prepared under section 122(d) of the WIOA?

The Workforce Innovation and Opportunity Act (WIOA) requires each state to maintain an “Eligible Training Provider List” (ETPL) of approved training programs and credentials.

These lists can typically be located by conducting an online search for “[State Name]” and “WIOA Eligible Training Provider List” or “ETPL list.” These lists are also typically available on the website of the state agency responsible for employment and the workforce.

The following are examples of state ETPL lists:

- California – [Employment Development Department: Eligible Training Provider List](#)
- Minnesota – [Department of Employment and Economic Development: Career and Education Explorer](#)
- Virginia – [Virginia Works](#) (under “Resources & Services,” click “Training Providers,” then, in the search criteria, select “Eligible Providers” from the drop-down menu titled “Workforce Innovation & Opportunity Act Eligible Training Provider”)

10. How do I determine whether a program is listed in the public directory of WEAMS?

The Web Enabled Approval Management System (WEAMS) public directory is accessed by using the U.S. Department of Veterans Affairs’ [GI Bill Comparison Tool](#). Note: the credentials listed on WEAMS are generally open to non-military personnel unless otherwise noted.

GI Bill® Comparison Tool

Learn about and compare your GI Bill benefits at approved schools and employers.

Search by name

Search by location

School, employer, or training provider (*Required)

Search

To check whether a particular program is listed in WEAMS:

- Identify the name of the institution offering the program;
- Enter the institution’s name in the GI Bill Comparison Tool’s search box and click “Search”;
- Click on the institution’s name;
- Scroll down to “Approved programs of study”; and
- Click the appropriate link to determine whether the particular program in question is listed

Approved programs of study

The following programs are approved for VA benefits at this institution. For more information about specific programs, search the institution catalog or website.

[See institution of higher learning programs](#)

[See non college degree programs](#)

11. What is an “organization widely recognized as providing reputable credentials in [an] occupation”?

Although we are not aware of a single resource listing all “widely recognized” credentialing organizations, an [attachment](#) to an advisory issued in 2020 by the U.S. Department of Labor’s Employment and Training Administration notes that a variety of

different public and private entities issue recognized postsecondary credentials and provides the following examples:

- A state educational agency or a state agency responsible for administering vocational and technical education within a state;
- An institution of higher education described in Section 102 of the Higher Education Act (20 USC 1002) that is qualified to participate in the student financial assistance programs authorized by title IV of that Act. This includes community colleges, proprietary schools, and all other institutions of higher education that are eligible to participate in federal student financial aid programs;
- An institution of higher education that is formally controlled, or has been formally sanctioned or chartered, by the governing body of an Indian tribe or tribes;
- A professional, industry, or employer organization (e.g., National Institute for Automotive Service Excellence certification, National Institute for Metalworking Skills, Inc., Machining Level I credential); or product manufacturer or developer (e.g., recognized Information Technology certifications, such as Microsoft Certified IT Professional (MCITP), Certified Novell Engineer, a Sun Certified Java Programmer, etc.) using a valid and reliable assessment of an individual's knowledge, skills and abilities;
- Employment and Training Administration's (ETA) Office of Apprenticeship or a State Apprenticeship Agency;
- A public regulatory agency, which awards a credential upon an individual's fulfillment of educational, work experience, or skill requirements that are legally necessary for an individual to use an occupational or professional title or to practice an occupation or profession (e.g., Federal Aviation Administration aviation mechanic license, or a state-licensed asbestos inspector);
- A program that has been approved by the Department of Veterans Affairs to offer education benefits to veterans and other eligible persons; or
- Job Corps, which issues certificates for completing career training programs that are based on industry skills standards and certification requirements.

12. Suppose a particular credentialing program states publicly that it qualifies as a QPCE. Can a beneficiary rely on that?

Not necessarily. Whether or not an expense associated with a particular credentialing program meets the requirements to be a QPCE depends on whether it in fact meets the requirements of the Code, as amended by the OBBBA. For example, the operator of a post-secondary educational program may naturally believe that it is "widely recognized as providing reputable credentials," but that depends on the facts and any guidance issued by the IRS. It is ultimately the taxpayer's responsibility to determine whether a distribution is eligible for tax-free treatment. That said, we would expect that in the vast

majority of cases, programs will appear on one of the online lists mentioned in this FAQ or it will be clear the program is well-known and reputable.

13. Has the Treasury Secretary identified any programs as being an RPCP?

No. Treasury and IRS have not provided a list of RPCPs for purposes of Code section 529(f)(2), but it is possible they may do so in the future.

14. Where can I find which programs are accredited by the Institute for Credentialing Excellence (ICE)?

ICE provides an accredited program search tool located at <https://ice.learningbuilder.com/Search/Public/MemberRole/ProgramVerification2>.

To search specifically for ICE-accredited certificate programs (ACAP), select “ACAP” from the drop-down menu under “Accreditation.”

15. Where can I find which programs are accredited by the National Commission on Certifying Agencies (NCCA)?

NCCA-accredited programs may also be located using the same search tool provided on the ICE website. See the link in **FAQ #14** above.

To search specifically for programs accredited by the NCCA, select “NCCA” from the drop-down menu under “Accreditation.”

16. Where can I find which programs are accredited by the American National Standards Institute (ANSI)?

ANSI-accredited standards developers may be located using the search tool available at <https://www.ansi.org/american-national-standards/info-for-standards-developers/accredited-standards-developers#sort=%40titlecomputed%20ascending>.

17. Where can I locate the COOL directory of credentialing programs?

The Credentialing Opportunities On-Line (COOL) directory is available at <https://www.cool.osd.mil/usn/credsearch/index.html>. Note: the credentials listed on COOL are generally open to non-military individuals unless otherwise noted.

18. Has the Treasury Secretary identified any postsecondary employment credentials as being industry recognized for purposes of Code section 529(f)(3)(A)?

No. As of the date on this FAQ guide, no additional RPCPs have been identified by Treasury/IRS. It is possible they may do so in the future, or they may provide general guidance on what it means to be “industry recognized.”

19. What apprenticeships are registered and certified with the U.S. Secretary of Labor under the National Apprenticeship Act?

The U.S. Department of Labor maintains apprenticeship information at www.apprenticeship.gov. A search feature to locate registered occupations is available at <https://www.apprenticeship.gov/apprenticeship-occupations>.

20. How do I check that an occupational or professional license was issued or is recognized by a state or the federal government?

In general, to determine whether an occupational or professional license was issued by a state or the federal government, we recommend first confirming the legitimacy of the state or federal licensing agency. To verify a particular license, the licensing agency’s website will typically provide a tool to search for or and/or verify the license.

Licenses issued by one government may be recognized by another government, such as through reciprocity agreements (for example, between two or more states). One resource that may be helpful in determining whether one state license is recognized by another state is the National Conference of State Legislatures’ [National Occupational Licensing Database](#) (last updated August 12, 2022). Some state licensing boards may also have procedures for evaluating and recognizing foreign qualifications, including through the use of a general or specialized credential evaluation service.

21. How can I tell if a certification satisfies a condition for obtaining a license described in FAQ #20?

Requirements for obtaining a license will vary significantly by occupation and state. Very generally, we recommend identifying the licensing board or agency for the desired (or current) license, and then visiting that board or agency's website to search for a list of any certifications required in order to obtain or maintain the license.

22. How does section 3(52) of the WIOA define RPC?

Section 3(52) of the WIOA defines the term "recognized postsecondary credential" to mean a credential consisting of an industry-recognized certificate or certification, a certificate of completion of an apprenticeship, a license recognized by the state involved or federal government, or an associate or baccalaureate degree.