NORTH AERO

A GUIDE FOR PARENTS AND FAMILIES

USING A 529 PLAN FOR FLIGHT TRAINING

A plain, factual look at the 2025 federal law change, what it means in California, and how to keep clean records.

What this covers: how flight training became a qualified 529 expense, which costs qualify, how California treats the earnings, the steps to withdraw and pay, and a recordkeeping checklist.

North Aero, Inc.
45 Mortensen Ave, Salinas, CA 93905 · Salinas Municipal Airport (KSNS)
831-809-5375 · info@flynorthaero.com

WHAT CHANGED IN 2025

FLIGHT TRAINING BECAME A QUALIFIED 529 EXPENSE

For years, a 529 plan could only pay for training at a Title IV school, meaning a college or university with a Federal School Code. Standalone flight training at a Part 61 or Part 141 flight school did not qualify. A family who withdrew 529 money for it owed federal income tax on the earnings, plus a 10% federal penalty.

That changed on July 4, 2025. The federal law known as the One Big Beautiful Bill Act (Public Law 119-21), in Section 70414, amended Internal Revenue Code Section 529 to add a new category of qualified expense: qualified postsecondary credentialing expenses. The change applies to 529 withdrawals made after July 4, 2025, and has no expiration date.

WHY FLIGHT TRAINING CAN NOW QUALIFY

FAA CERTIFICATES ARE FEDERALLY RECOGNIZED CREDENTIALS

The new category covers programs that lead to a recognized postsecondary credential. A program can qualify when the credential is a license issued or recognized by a federal or state government and requires passing an examination, among other pathways. FAA pilot and mechanic certificates are federal occupational licenses earned by written and practical exams, so training toward them fits the federal definition.

About North Aero specifically

North Aero is a Part 61 flight training provider based at Salinas Municipal Airport (KSNS). North Aero is not a Title IV college, and is not currently listed on a state Workforce Innovation and Opportunity Act (WIOA) training-provider list or the U.S. Department of Veterans Affairs WEAMS database. The federal basis for using 529 funds toward training with us is that FAA certificates and ratings are federally recognized credentials.

Because 529 plan administrators can differ in how they handle these requests, confirm eligibility with your own plan administrator before you withdraw. If a representative asks for a citation, provide: `26 U.S.C. § 529(f), Public Law 119-21, Section 70414`.

FEDERAL RULES

WHAT THE LAW COVERS, AND WHAT IT DOES NOT

Can qualify

When required for the training program:

- Flight and ground instruction
- Aircraft rental for the rating
- Required gear: headset, charts, electronic flight bag apps
- FAA written and practical (checkride) test fees
- Examiner (DPE) fees
- TSA security fees where applicable
- Simulator or flight training device time
- Required books and supplies

Does not qualify

These remain non-qualified:

- Housing, meals, and other personal living costs
- Transportation and travel
- Recreational flying not tied to earning a certificate or rating

IMPORTANT FOR CALIFORNIA RESIDENTS

CALIFORNIA TAXES THE EARNINGS PORTION

This section matters for California residents, which includes most North Aero families. California did not conform to the new federal rule. According to the California Franchise Tax Board's 2025 instructions for Form FTB 3805P:

> “The OBBBA also allows tax-exempt distributions from IRC Section 529 accounts to be used for qualified postsecondary credentialing expenses, as defined in IRC Section 529(f). California law does not conform to these federal provisions. For California purposes, the earnings portion of a non-qualified distribution from an IRC Section 529 account is includable in California taxable income and subject to an additional tax of 2½%.”

In plain terms, for a California resident using 529 funds for flight training:

Federal treatment	The earnings portion of the withdrawal comes out free of federal income tax and free of the 10% federal penalty.
California treatment	The same withdrawal is treated as non-qualified. The earnings portion is added to California taxable income and is subject to an additional 2.5% California tax. Reported on Schedule CA (540) and Form FTB 3805P.

Two points that limit the California cost. First, only the earnings portion is affected. The money you originally contributed was already after-tax and is never taxed again. Second, the California treatment applies only to the amount actually spent on training. Families in states other than California should check their own state's conformity, because state treatment varies.

STEP BY STEP

HOW TO WITHDRAW AND PAY

- **Confirm first.** Contact your 529 plan administrator and confirm they will process a distribution for postsecondary credentialing expenses. Provide the legal citation above if the representative is unfamiliar with the change.
- **Choose where the money goes.** A 529 distribution can be paid to the account owner, to the student beneficiary, or directly to the school. Paying North Aero directly, or reimbursing yourself for invoices you have already paid, both work. Keep the paperwork either way.
- **Match the calendar year.** Withdraw funds in the same calendar year that the training expenses are paid. A withdrawal in one year against an expense paid in a different year can create a taxable mismatch.
- **Do not over-withdraw.** Withdraw only up to the amount of qualified expenses. Any withdrawal beyond qualified expenses makes the earnings portion taxable.
- **Avoid double-counting.** Do not use the same dollar of expense to support both a 529 withdrawal and a federal education tax credit.
- **Expect a tax form.** Your plan issues Form 1099-Q for the year of the distribution. Your tax preparer uses it, along with your expense records, to report the withdrawal.

KEEP CLEAN RECORDS

RECORDKEEPING CHECKLIST

Keep the following with your tax records for each year you use 529 funds:

- Itemized invoices from North Aero that separate qualified instruction and aircraft rental from any non-qualified items
- Records showing which certificate or rating the training was for
- Receipts for gear, books, testing fees, and examiner fees
- A simple log matching each 529 withdrawal to the expenses it paid, in the same calendar year
- Form 1099-Q and your 529 account statements

Good documentation is what supports the federal tax-free treatment if you are ever asked to substantiate it. North Aero provides itemized billing on request to make this straightforward.

Ready to start?

Contact North Aero to enroll and to set up itemized billing that keeps your 529 recordkeeping simple.

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Important disclaimer. This guide is educational information, not tax or legal advice. North Aero is a flight school, not a tax advisor, a law firm, or a 529 plan administrator. Federal and state tax rules, and the way individual 529 plans apply them, can change and can vary by your situation. Before withdrawing 529 funds, confirm the details with your 529 plan administrator and a qualified tax professional.

SOURCES

Federal law: One Big Beautiful Bill Act, Public Law 119-21, Section 70414, amending IRC Section 529(f). Enacted July 4, 2025.

California treatment: California Franchise Tax Board, 2025 Instructions for Form FTB 3805P, "What's New."

Credential program pathways and covered expenses: my529 (Utah state plan) and Saving for College, 2025 to 2026 guidance on postsecondary credentialing expenses.