




**Stacy Garrity**  
Pennsylvania Treasurer

# **PA 529 COLLEGE AND CAREER SAVINGS PROGRAM EMPLOYER TAX CREDIT GUIDE**

## I. 529 Plan Employer Tax Credit Overview

- **Employers are permitted to claim a Pennsylvania state tax credit for matching contributions to their employees' 529 accounts.**
  - An employer may claim a tax credit against its state tax liability on matching contributions of up to \$500 per tax year.
  - An employer's tax credit will be 25% of the aggregate amount of all matching contributions in a tax year.
    - **Example: In tax year 2026, an employer makes matching contributions of \$500 per 529 account for 10 employees. The employer's tax credit will be 25% of \$5,000 or \$1,250.**
- Employers may claim this state tax credit in tax year 2025 and after.
- The employer is responsible for providing the Pennsylvania Department of Revenue (Revenue) with proof that it made the matching contributions for which it is claiming the state tax credit each tax year. While employers may be able to use ACH documentation as proof of a matching contribution, Revenue may issue more specific requirements in the future. Employers should consult with a tax expert for more information.
- Employees are required to provide employers with proof of all 529 plan contributions made during a tax year. While an employer can establish the type of proof required, one possibility is to track employee contributions made via payroll deduction through their internal payroll systems. Employers can also ask employees to submit contribution confirmations as proof. Most 529 plans, including Pennsylvania's, send a confirmation each time a contribution is made. Here is an example from the PA 529 GSP:

		<b>PA 529 Guaranteed Savings Plan</b> P.O. Box 55463 Boston, MA 02205-8114		<b>Transaction Notice</b> <span style="float: right;">1 of 4</span>	
		John Doe 123 Main St Anytown, PA 12345		<b>Account:</b> 0000000000-01 <b>Beneficiary:</b> John Doe <b>Date:</b> January 1	
				<b>Institutional Code:</b> 11999 <b>Residency Level:</b> Resident of PA <b>Tuition Level:</b> State System of Higher Education Average Tuition Level	
<p>The below statement acknowledges your most recent contributions, withdrawals and/or fee payments to the Pennsylvania 529 Guaranteed Savings Plan (GSP). The stub below may be used for an additional contribution to your GSP Account. If you have more than one account, please use the appropriate stub for each contribution. Be sure to write your proper account number on the check. You may also contribute online at <a href="http://www.PA529.com">www.PA529.com</a>.</p>					
<b>Transaction Date</b>	<b>Transaction Description</b>	<b>Amount</b>	<b>Current GSP Credit Rate</b>		
01/01	Contribution	\$100.00	\$321.50	0.311	

- **Carry-over of tax credits**

- If the amount of an employer's state tax credit exceeds its tax liability in the tax year in which the tax credit is approved, the excess tax credit may be taken up to three tax years after it was approved.
  - **Example: Using the facts from the example above, if the employer's Pennsylvania state tax liability for 2026 is \$1,000, it may be able to claim the remaining \$250 state tax credit in tax year 2027, 2028, or 2029, depending on the employer's circumstances and must be applied to the earliest tax year possible.**
- There are a number of other considerations in determining how these tax credits may be applied. Employers should consult with Revenue and a tax expert for more information.

- **Other considerations**

- Employees may be responsible for paying federal and state taxes on matching contributions. They should consult with a tax expert for more information. As such, employers may need to report matching contributions on employees' Form W-2.
- Employers may receive the state tax credit for making matching contributions to **any** 529 plan, not just PA 529.
- The tax credit is scheduled to expire on December 31, 2029, unless the Pennsylvania General Assembly renews it before that time.
- Employers should consult with their legal, tax, and employee benefits experts in order to determine implications specific to their circumstances.



## II. Employer Matching Contributions Walkthrough

### Step 1: Employee opens a PA 529 account

How to set up a PA 529 account:

1. Visit [pa529.com](http://pa529.com)
2. Click Open an Account
3. Follow the account opening instructions.

### Step 2: Employee establishes payroll deduction

Employee contributions via payroll deduction are a convenient way for the employee to contribute, but payroll deduction is not required.

How to set up direct deposit from payroll to a PA 529 account:

1. Employee obtains Payroll Deduction/Direct Deposit Form from the PA 529 College & Career Savings Program
  - Login at [pa529.com/login](http://pa529.com/login) > Click on Profile & Documents > Payroll Deduction > Change Payroll Instructions > Choose Amount > Submit > Get Form
2. Use the Payroll Deduction/Direct Deposit instructions to add the direct deposit information to self-serve payroll system or give form to HR department.

Below is an example of the Payroll Deduction/Direct Deposit Form.

#### Print your Payroll Deduction Instructions

##### Step 1. (FOR EMPLOYEES): Complete this form and return to your employer

Please print this page, sign it, include your Social Security number and the date, and submit it to the HR, benefits, or payroll representative responsible for administering payroll deduction contributions to the Program. Your employer will initiate or change your payroll deduction after they receive this form.

Employee Name: Joe Employee

Total amount to be deducted per pay period: \$100.00

Employee Signature: \_\_\_\_\_ Employee SSN: \_\_\_\_-\_\_\_\_-\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

## Step 2. (FOR EMPLOYERS): Establish Payroll Deduction Instructions on Your Payroll System

When updating ACH direct deposit instructions for this employee, please make sure that you provide the following information with your transmittal:

1. ABA Number 011001234 (Mellon Bank)
2. Account Number if you are establishing payroll deduction for this employee 53855XXXXXXX or 54057XXXXXXX
3. For Employer Matching contributions replace the first 3 digits of the Account Number above (540 or 538) with 618 or 617. The correct number will be shown on the actual form.
4. Code Transmittal for Checking

Note: The account number is a 12-digit field. The first 3 digits identify the new bank account of Pennsylvania 529 Investment Plan. The last 9 digits are the first nine digits of the employee's account number in Pennsylvania 529 Investment Plan.

If you have any questions, please call customer service at 1-800-440-4000.

3. There will be two account numbers on this instruction form. One will be used for the employee contributions and the other will be used for the employer matching contributions.
  - The employee contributions number will begin with either a **538** or **540**.
  - The employer matching contributions number will begin with either a **617** or **618**.

## Step 3: Employer (or employee via self-service) sets up payroll direct deposit to the PA 529 account

Employer Chooses **ONE** of the following methods:

### ACH Deposit

1. Employee completes payroll deduction documents required by employer.
2. Each pay period, employer sends one ACH transfer to PA 529.

Consideration: Some administrative requirements; partially automated; contributions credited to account the day ACH transfer received (typically 1-2 days after pay date).

### Check and Roster

1. Employees complete payroll deduction documents required by employer.
2. Each pay period, employer mails check for total amount of all payroll deductions to PA 529.
3. Employer manages and submits instructions on how to apply to individual PA 529 accounts (roster); must include names of employees, deduction amounts, PA 529 account number, and date of paycheck.

Consideration: More administrative requirements; completely manual; slowest option; credited to account the day the check is received (varies by employer, but typically 4–7 days after pay date).

## Step 4: Employer adds the matching contribution

Employer adds the matching contribution to the employee's contribution and includes the funds in the ACH using the employer match contribution account number from the payroll deduction form.

- The employee contributions number will begin with either a **538** or **540**.
- The employer matching contributions number will begin with either a **617** or **618**.

### Print your Payroll Deduction Instructions

#### Step 1. (FOR EMPLOYEES): Complete this form and return to your employer

Please print this page, sign it, include your Social Security number and the date, and submit it to the HR, benefits, or payroll representative responsible for administering payroll deduction contributions to the Program. Your employer will initiate or change your payroll deduction after they receive this form.

Employee Name: Joe Employee

Total amount to be deducted per pay period: \$100.00

Employee Signature: \_\_\_\_\_ Employee SSN: \_\_\_\_-\_\_\_\_-\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

#### Step 2. (FOR EMPLOYERS): Establish Payroll Deduction Instructions on Your Payroll System

When updating ACH direct deposit instructions for this employee, please make sure that you provide the following information with your transmittal:

1. ABA Number 011001234 (Mellon Bank)
2. Account Number if you are establishing payroll deduction for this employee 53855XXXXXXXXX or 54057XXXXXXXXX
3. For Employer Matching contributions replace the first 3 digits of the Account Number above (540 or 538) with 618 or 617. The correct number will be shown on the actual form.
4. Code Transmittal for Checking

Note: The account number is a 12-digit field. The first 3 digits identify the new bank account of Pennsylvania 529 Investment Plan. The last 9 digits are the first nine digits of the employee's account number in Pennsylvania 529 Investment Plan.

If you have any questions, please call customer service at 1-800-440-4000.

Employer can also calculate and fund the match at any time by simply adding 617 or 618 to the employees' account numbers, as shown in the sample form listed above. This can be sent by ACH or check.

## Sample Roster for Check Contributions

PA 529 College and Career Savings Program		Employer Name : <u>ACME, Inc.</u>				
Remittance for Pay Date: _____		Employer EIN: <u>XX-XXXXXXX</u>				
<u>Employee</u>	<u>S.S. #</u>	<u>PA 529 Account #</u>	<u>Beneficiary Name</u>	<u>Employee Contribution</u>	<u>Match Contribution</u>	<u>Total Contribution</u>
		This needs to come from the employee. It will be an 11 digit number. Please be sure to include the 01, 02, 03, etc. that is at the end of the account number, since this identifies the specific beneficiary within an account				
Sample Employee	XXX-XX-XXXX		Sample Beneficiary 1	\$25	\$25	\$50
Sample Employee	XXX-XX-XXXX	This is the same account number but ends in 02	Sample Beneficiary 2	\$25	\$25	\$50

### III. Contact the Pennsylvania Treasury Department

If you have any questions, please reach out to our PA 529 team:

Phone: 800-440-4000

Email: [PA529@patreasury.gov](mailto:PA529@patreasury.gov)