

Tax Implications for Room & Board Refunds from Colleges & Universities

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Due to COVID19 campus closures, colleges and universities are issuing refunds of room and board and fees. We've received many inquiries with respect to the tax implications as a result of these refunds. Here's what you need to know:

If the refund is related to expenses originally paid with 529 Plan dollars you need to consider whether you will keep the refund or pay it back to the 529 Plan.

What happens if you keep the refund?

If the student will resume college in the Fall, you can use the refund money toward the Fall semester. If the student graduated, or if return to college is in doubt, you should consider contributing the refund back to the 529 Plan. If you repay the refund by July 15 it will be treated as not having been issued. If you do not repay the refund in a timely fashion you may have taxable income and a penalty to the extent that the 529 withdrawals aren't used for qualified expenses.

Some colleges and universities are asking if you'd like to donate your refund. If you receive a refund (not from 529 Plan dollars) can you contribute the refund of room and board back to the college and take a charitable contribution deduction?

If the college can facilitate the donation of the refund and provide you with a Donee Acknowledgement Letter for the contribution, that should be fine. You can also consider writing a check to the school to make a charitable contribution and get a tax deduction.

For more information, please contact [Teresa Majors](mailto:tmajors@dopkins.com) at tmajors@dopkins.com.