



Achieving Choice in Education Act

Topline: The Achieving Choice in Education Act ([H.R. 6795/S. 3520](#)) broadly expands [529 accounts](#) and helps provide options for families. The bill also takes away certain federal subsidies from states that are hostile to school choice policies and encourages adoption of school choice laws.

Summary:

Part I – Sections 1-4

The ACE Act increases options for K-12 education and provides tax relief for educational expenses. The bill expands the types of educational expenses that qualify for tax benefits, extends coverage to homeschooling families, increases limits on distributions from education savings plans, and provides gift tax exclusions for contributions to education plans and certain education-related withdrawals.

Part II – Section 5

The ACE Act introduces restrictions on tax-exempt municipal bonds based on states' implementation of school choice laws, encouraging states to allow school choice programs in order to keep their municipal bond tax-exemptions.

Here's a detailed breakdown of the key provisions:

Section 1: 529 Account Funding for Homeschool and Elementary and Secondary Expenses

- Modifies the definition of "qualified higher education expense" to include various costs associated with enrollment or attendance at elementary or secondary public, private, or religious schools.
- Includes tuition, curriculum materials, books, online educational resources, tutoring fees, standardized tests, dual enrollment in higher education institutions, and therapies for students with disabilities.
- Also covers expenses related to homeschooling, treating it similarly to a private school under applicable state laws.

Section 2: Increase in Limitation on 529 Plan Distributions

- Increases the annual limit that can be distributed from 529 education savings plans for elementary and secondary school expenses by doubling the limit from \$10,000 to \$20,000 a year.

Section 3: Gift Tax Exclusions

- The ACE Act would also make it so contributions made to 529 education savings plans or distributions from retirement accounts for qualified higher education expenses are excluded from the gift tax calculation, up to \$20,000, to match the new annual elementary and secondary school withdrawal limit. Under current law, these contributions can be subject to gift taxes, a harmful and duplicative layer of taxation.

Section 5: Tax-Exempt Bonds Restricted to States Allowing School Choice Laws

Currently, interest income from state and local bonds (known as municipal bonds) are tax-exempt. Over the next decade, this will give state and local governments [\\$380 billion](#) in federal taxpayer subsidies to crowd out private borrowing – including suppressing private economic growth and making homeownership less affordable.

- The ACE Act would remove the tax-exempt status of these bonds in states that do not allow school choice programs.
- By targeting the state municipal bond's tax-exempt status, this bill gives states a strong incentive to stop blocking school choice programs. The ACE Act does this based on a 2-tier system (50% and 100% tax-exemptions) to encourage states to improve and give them time and opportunity to change their school choice laws.
- The eligibility criteria for a state's bonds to be tax-exempt is based on 2 factors: 1) the percentage of eligible students and 2) the amount of average education spending for school choice programs.
- By limiting the state municipal bond tax exemptions, The ACE Act would more than pay for the school choice financial incentives implemented in sections 1-4 of the bill.

House Cosponsors (5): Reps. John Carter (TX-31)*, Doug LaMalfa (CA-1), Ralph Norman (SC-5), Andy Webber (TX-14), Tracey Mann (KS-01)

Senate Cosponsors (Led by Sen. Mike Lee): Senators Tim Scott (SC)*, Cindy Hyde-Smith (MS), Mike Braun (IN), Eric Schmitt (MO), Ted Budd (NC)

Groups Supporting: Heritage Action for America, Foundation for Government Accountability, Parents Defending Education Action, Concerned Women for America Legislative Action Committee, American Association of Christian Schools, Home School Legal Defense Association

Contact: heidi.thom@mail.house.gov