

1ST QUARTER 2016

FINAL TAX REMINDERS

Don't forget to report your 2015 contributions to CollegeCounts in order to take advantage of the Alabama state income tax deduction. Contributions postmarked on or before December 31st can be deducted up to \$5,000 for individuals or up to \$10,000 if married and filing jointly. Any contributions postmarked in 2015 but invested in January will appear on your enclosed 1st Quarter 2016 statement as a "Prior Year Contribution". Don't forget to include those "Prior Year Contributions" for 2015 tax deduction purposes.

Keep in mind that contributions to CollegeCounts don't generate any tax forms for the Alabama state income tax deduction – simply report your total contributions on Alabama Form 40, Part II, Line 8.

Make sure to inform your tax professional if you elected to make a large gift in 2015 (typically over \$14,000 for individuals or \$28,000 for married couples). If you took advantage of the special 5-year front-loading gift election allowed for 529 plans, you are typically required to file Form 709 to have a large gift to a 529 account split over a 5 year period.

If you will be receiving a 2015 tax refund, you can direct all or a portion of the refund to be invested in your CollegeCounts account. Visit the "Tax Center" on CollegeCounts529.com and select the "Invest Your Tax Refund" link for more information and instructions.

Additional tax information can be found in the 4th Quarter 2015 Newsletter and the Tax Center at CollegeCounts529.com.

2015 WITHDRAWAL REPORTING

In January, CollegeCounts mailed IRS Form 1099-Q to the recipient of any withdrawals requested in 2015. If the withdrawal was payable to the Account Owner, the Owner would have received the 1099-Q. For any withdrawals payable to the Beneficiary or a school, the Beneficiary would have received the 1099-Q. We recommend that you discuss any withdrawal reporting requirements with your tax professional. We also recommend that you retain all documentation of your qualified higher education expenses with your tax paperwork.

COLLEGECOUNTS SCHOLARSHIP

CollegeCounts is proud to sponsor a scholarship for Alabama residents who are first-time college freshman attending Alabama colleges. We are committed to helping students achieve their dream of obtaining a college education! Need-based scholarships of \$4,000 for students attending a 4-year college or \$2,000 for students attending a 2-year college will be awarded this spring for students entering college in fall 2016. Be sure to visit the scholarship website – CollegeCountsAlabama.com – for more information or to submit an application. The application deadline is April 22, 2016.

COLLEGECOUNTS FINANCIALS

Each year an independent accounting firm performs an audit of the CollegeCounts 529 Fund financial statements. You can view the latest audited financial statements at CollegeCounts529.com under "Where Can I Obtain a Copy of the Audited Financial Statements?" in the FAQ section.

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WHAT'S NEXT

COLLEGECOUNTS529.COM | 866.529.2228



Offered by the
State of Alabama

UBT 529 SERVICES, a division of

UBT
Union Bank & Trust
Program Manager

IMPORTANT 529 TAX LAW CHANGES

As previously communicated with your December 31, 2015 quarterly account statement and on the CollegeCounts web site – several changes to the rules governing 529 plans were enacted in late December 2015. The IRS has now provided additional guidance regarding the “Computation of Earnings” for 2015 tax reporting purposes. These changes are described below, and they are effective as of the beginning of 2015.

Computation of Earnings—multiple accounts with the same account owner and beneficiary are no longer required to be aggregated for tax reporting purposes. This change impacts how the earnings portion of a distribution is calculated, and how the 1099-Q reports such information.

For calendar year 2015, the Treasury Department and the IRS are providing transition relief for the computation of earnings in connection with distributions from 529 accounts. Based on this relief, CollegeCounts and many other 529 plans, calculated and reported the earnings in connection with distributions for 2015 on an aggregated basis.

If you are an account owner (i) with multiple accounts in CollegeCounts, (ii) for the same beneficiary, (iii) who had a withdrawal from one or more of those accounts in 2015, (iv) which was includable in the gross income of the distributee, and you would prefer to have earnings computed for 2015 without aggregation, you may request a revised 2015 Form 1099-Q from CollegeCounts. Please be aware that a request for a corrected 2015 Form 1099-Q does not extend the due date for filing individual income tax returns for 2015.

Qualified Expenses Expanded—effective for taxable years beginning after December 31, 2014, the definition of qualified higher education expenses is expanded to include: expenses for the purchase of any computer and any related 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.

Special Rule for Contributions of Refunded Amounts—refunds of any qualified higher education expenses from an eligible educational

institution are excludable from gross income if recontributed within 60 days (after the date of such refund) back into the 529 account. This provision is effective with respect to refunds of qualified higher education expenses after December 31, 2014 but only to the extent that such refunds are re-contributed to a qualified tuition program within 60 days of the date of the refund, or within 60 days of December 18, 2015, whichever is later. Thus, amounts refunded in 2015 before December 18, 2015, needed to be recontributed no later than February 16, 2016.

529 DAY

Every year on May 29th (5/29), CollegeCounts celebrates “529 Day!” Be sure to “Like” us on Facebook to get updates on our plans for the festivities in 2016. You’ll also see college savings related articles and helpful tips when you follow our page. Find us at [facebook.com/CollegeCounts](https://www.facebook.com/CollegeCounts) to stay connected!

The CollegeCounts 529 Fund is a qualified tuition program under Section 529 of the Internal Revenue Code that is offered by the State of Alabama, administered by the Board of Trustees of the ACES Trust Fund (the “Trust” and plan issuer), marketed as the CollegeCounts 529 Fund, and Union Bank & Trust Company serves as Program Manager. Accounts and investments under the CollegeCounts 529 Fund are not insured or guaranteed by the FDIC, the State of Alabama, the State of Alabama Treasurer, the Board, the Trust, the Program, Union Bank & Trust Company, or any other entity. Investment returns are not guaranteed, and you could lose money by investing in the Plan.

An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. This and other important information is contained in the fund prospectuses and the CollegeCounts 529 Fund Program Disclosure Statement (issuer’s official statement), which can be obtained by calling 866.529.2228 and at CollegeCounts529.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

An investor should consider, before investing, whether the investor’s or designated beneficiary’s home state offers any state tax or other benefits that are only available for investments in such state’s 529 plan. Investors should consult a tax advisor.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

CollegeCountsSM
Alabama’s 529 Fund