

1ST QUARTER 2017

FINAL 2016 TAX REMINDERS

Tax Day is right around the corner (Note: the April 15 due date this year has been extended to April 18, 2017). The following are some final reminders as you wrap up your 2016 tax filings.

Alabama taxpayers are eligible for a state income tax deduction for 2016 contributions made to CollegeCounts. The 2016 Alabama Form 40 Instructions provide:

You can deduct up to \$5,000 or \$10,000 if married filing jointly, per year for contributions to the Alabama College Counts 529 Fund or to the Prepaid Affordable Tuition Program (PACT).¹

Don't forget to report your contributions to CollegeCounts when you file your 2016 taxes and remind others who may have contributed to your account to do the same. Any contributions postmarked in 2016 but invested in January 2017 will appear on your enclosed 1st Quarter 2017 statement as a "Prior Year Contribution". Don't forget to include those "Prior Year Contributions" for 2016 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.

Inform your tax professional if you elected to make a large gift in 2016 (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 IRS Form 709 to have a large gift to a 529 account split over a 5-year period.

If you will be receiving a 2016 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 Federal or State Tax Refund" link for more information and instructions.

Additional tax information can be found in the 4th Quarter 2016 Newsletter and the Tax Center at **CollegeCounts529.com**. Be sure to check with your tax professional for more information or advice regarding the tax benefits of investing with CollegeCounts.

2016 WITHDRAWAL REPORTING

In January, CollegeCounts mailed IRS Form 1099-Q to the recipient of any 2016 withdrawals. If the withdrawal was payable to the account owner, the 1099-Q was mailed to the account owner. For any withdrawals payable to the beneficiary or a school, the beneficiary received the 1099-Q. We recommend that you discuss any withdrawal reporting requirements, and the coordination with other education tax credits and deductions, with your tax professional. We also recommend that you retain all documentation of your qualified higher education expenses with your tax paperwork in the event there are ever questions about what expenses the withdrawn funds were used for.

5/29 DAY

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Our favorite day of the year is 5/29 Day – May 29th! We will be celebrating throughout the month of May, so be sure to "Like" our Facebook page (facebook.com/CollegeCounts) and check in often. We will be giving away CollegeCounts contributions of \$529 to thirty-one lucky Alabama families whose newborn arrives during the month of May. If you or someone you know is expecting a new addition to your family in May, please visit **AL529Day.com** for more details and to review the official rules for the promotion. Be sure to follow us for helpful college savings information, articles, and news about CollegeCounts. Happy 5/29 Day!

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WHAT'S NEXT

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Offered by the
State of Alabama

UBT 529 SERVICES, a division of

UBT
Union Bank & Trust
Program Manager



GRADUATION GIFT IDEA

Graduation season will be here before you know it! Will your beneficiary be celebrating a graduation from pre-school, kindergarten, middle school, or high school? A contribution to your CollegeCounts account makes a great gift that will help your beneficiary reach their higher education goals. Make it easy for your family members and friends to make a gift contribution with GiftED. Simply log into your account at CollegeCounts529.com to send an email invitation to anyone who might want to contribute. They will use the link in the email they receive to make an electronic contribution directly to your account, or they can mail a check to us. You can view the gift contribution details via online access which will allow you to acknowledge any gifts that are received.

START THE COLLEGE CONVERSATION NOW

Research has shown that a child is seven times more likely to go to college if they know that a loved one has saved money for their college education. You have already started saving for your beneficiary and it's important that they know that you believe they can achieve their higher education dreams. Start talking about your expectations when your beneficiary is young – explain the benefits of going to college, talk about your college experience or what you would have done differently, and help them understand the value of furthering their education after they complete high school. Read with your young child as much as possible, help them with homework, and stay involved with their educational growth. As your beneficiary reaches middle school, help them start to think about what they are good at and what some future college and career goals might be. In high school, the preparation for college ramps up with college research and visits, ACT and SAT testing, scholarship applications, and exploring financial aid options.

Be sure your beneficiary knows that you have started a CollegeCounts account to help them pay for their future college expenses. It's important your beneficiary knows that you believe in them enough to

make a financial commitment to their future. Include them in your saving efforts by letting them know when you make a contribution or by letting them contribute their gift or allowance money to the account.

ONLINE ACCESS & CONTACT INFORMATION

Keep your account information up-to-date! If you haven't logged into your account in a while, we encourage you to log in and take advantage of all the account information available at CollegeCounts529.com. View transaction information, make contributions, establish or change an Automatic Investment Plan, send GiftED invitations, request withdrawals for college, view and download statements, and more. It's a good idea to ensure that CollegeCounts has your most current contact information on file. Don't hesitate to contact us at **866-529-2228** if you need help logging into your account.

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 or from the plan's website 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.

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 and administered by the Board of Trustees of the ACES Trust Fund (the "Trust" and plan issuer).

¹ Individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to \$5,000 per tax year (\$10,000 for married taxpayers filing jointly if both contribute) for total combined contributions to the Plan and other State of Alabama 529 programs. The contributions made to such qualifying plans are deductible on the tax return of the contributing taxpayer for the tax year in which the contributions are made. In the event of a Nonqualified Withdrawal from the Plan, for Alabama state income tax purposes, an amount must be added back to the income of the contributing taxpayer in an amount of the Nonqualified Withdrawal plus ten percent (10%) of such amount withdrawn. Such amount will be added back to the income of the contributing taxpayer in the tax year that the Nonqualified Withdrawal was distributed. Please consult with your tax professional.

² Qualified higher education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance; certain room and board expenses incurred by students who are enrolled at least half-time; the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution; and certain expenses for special needs services needed by a special needs beneficiary.