

## 2021 Tax Reminders

The new year is here, and tax season is right around the corner. Utilizing a 529 plan comes with some great tax benefits. The information below will be useful during the upcoming tax season:

- > **ALABAMA STATE INCOME TAX DEDUCTION** for contributions to CollegeCounts<sup>1</sup>:
  - Up to \$5,000 for individuals (\$10,000 for those married, filing jointly if both spouses contribute)<sup>1</sup>
  - Contribution deadline of December 31st
  - If you mailed a contribution in late December with a 2021 postmark that was received by CollegeCounts in early January, the contribution will appear on your March 31, 2022 statement with a description of "Prior Year Contribution". Remember to include any Prior Year Contributions with your tax filings.
- > **2021 WITHDRAWALS & TAX FORM 1099-Q**
  - Tax Form 1099-Q will be mailed in late January 2022 for any 2021 distributions
  - The Account Owner will receive the 1099-Q for any distributions payable to them
  - The Beneficiary will receive the 1099-Q for any distributions payable to them or directly to a college
  - Keep the 1099-Q and all documentation of your qualified expenses<sup>2</sup> with your tax paperwork in the event of questions or an audit
- > **GIFT TAX RETURNS** – If you made large gifts to your beneficiary's 529 plan in 2021 (generally over \$15,000), make sure to ask your tax professional if you are required to file a Form 709 Gift Tax Return in order to have a large gift split over a five year period. The deadline to file is April 15th.
- > **TAX CREDITS** –The American Opportunity and Lifetime Learning tax credits may be available to you if you paid for higher education expenses out-of-pocket in the year 2021. Detailed information about these education tax credits can be found in IRS Publication 970. Keep in mind, 529 account withdrawals may not be used for the same qualified expenses for which you receive a tax credit.

We always recommend speaking to your financial and/or tax professional for guidance regarding your individual situation and any required tax filings. Additional information can be found in the Tax Center at [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com) as well as [IRS.gov](http://IRS.gov), and [Revenue.Alabama.gov](http://Revenue.Alabama.gov).

## COLLEGECOUNTS SCHOLARSHIP

Each year CollegeCounts and the State of Alabama offer scholarships to hundreds of students from across the state. Recipients are students who will be first-time freshmen in Fall 2022 at an Alabama college. **The deadline to apply for the CollegeCounts scholarship is February 28, 2022.** If you have an upcoming college freshman in your household, or know of one, do not let them miss this opportunity. For more information about the CollegeCounts scholarship or to apply, visit [Treasury.Alabama.gov/CollegeCounts-scholarship](http://Treasury.Alabama.gov/CollegeCounts-scholarship) today!



## Refunds from Eligible Educational Institutions

So, you took a qualified withdrawal to pay for education expenses<sup>2</sup> and you received a refund from an eligible educational institution. The flexibility of 529 plans provide the following options:

1. **Other Qualified Expenses<sup>2</sup>** – Keep the funds and use them to pay for other qualified expenses<sup>2</sup> your student may have incurred in the same calendar year.
2. **Recontribution of Refunded Amounts** – The amount of the refund can be recontributed to the same student's 529 account within 60 days after the date of the refund. The amount recontributed cannot exceed the amount of the refund.

Visit the Tax Center at [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com) for more information. Be sure to discuss any tax-related questions with your financial and/or tax professional.

**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 Advisor Plan Program Disclosure Statement (issuer's official statement), which can be obtained from a financial professional and on CollegeCounts529advisor.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 such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. Investors should consult a tax advisor.**

The CollegeCounts 529 Fund Advisor Plan 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). Union Bank & Trust Company serves as Program Manager and Northern Trust Securities, Inc., acts as Distributor. Except for any investments made by a Participant in the Bank Savings 529 Portfolio up to the limit provided by Federal Deposit Insurance Corporation ("FDIC") insurance, neither the principal contributed to an Account, nor earnings thereon, are guaranteed or insured by the State of Alabama, the State Treasurer of Alabama, the Board, the Trust, the Program, any other state, any agency or instrumentality thereof, Union Bank & Trust Company, Northern Trust Securities, Inc., the FDIC, or any other entity. Investment returns are not guaranteed. Account Owners in the Plan assume all investment risk, including the potential loss of principal.

<sup>1</sup> 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.

<sup>2</sup> Withdrawals used to pay for qualified higher education expenses are free from federal and Alabama state income tax. 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; certain expenses for special needs services needed by a special needs beneficiary; fees, books, supplies, and equipment required for the participation of a Designated Beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act; up to a lifetime maximum of \$10,000 paid as principal or interest on any qualified education loan of the Designated Beneficiary or a sibling of the Designated Beneficiary. A sibling includes a brother, sister, stepbrother, or stepsister. For purposes of the \$10,000 limitation, amounts treated as a qualified higher education expense with respect to the loans of a sibling of the Designated Beneficiary are taken into account for the sibling and not for the Designated Beneficiary; up to a maximum of \$10,000 per year in tuition expenses, incurred by a Designated Beneficiary, in connection with enrollment or attendance at an eligible elementary or secondary public, private or religious school. The earnings portion of a non-qualified withdrawal is subject to federal income tax and 10% federal penalty tax. In addition, Alabama provides in the event of a non-qualified withdrawal an amount that must be added back to the income of the contributing taxpayer. The amount to be added back will be the amount of the nonqualified withdrawal plus 10% of the amount withdrawn.

## Ways to Contribute

Is there a better time than the start of a new year to revisit your higher education savings goals? One of the perks of CollegeCounts is the many ways that you can contribute to your account. Here's how:

- ▶ **Make a one-time contribution.** Simply log on to your account and contribute directly from your bank account, at your convenience.
- ▶ **Start an automatic investment plan.** You can choose to contribute monthly, quarterly, or even annually, with the freedom to change the amount of your automatic contribution at any time.
- ▶ **Send a GiftED e-vite.** That's right, you can invite friends and family to contribute directly to your child's CollegeCounts account! It's the perfect gift idea for birthdays, holidays, special occasions or even graduation.
- ▶ **Contribute your 2021 tax refund.** You have the ability to invest some or all of your tax refund. Visit the Tax Center on our website to see how.

Every dollar counts! Visit with your financial professional for help or guidance on contributions to your CollegeCounts account. Working together you can implement a long-term plan to work towards your goal for future higher education expenses. Then, contribute how you want, when you want.



**NOT FDIC INSURED\* / NO BANK GUARANTEE / MAY LOSE VALUE**

(\*except the Bank Savings 529 Portfolio underlying investment)

  
**CollegeCounts**  
ADVISOR-GUIDED 529 FUND

**CollegeCounts wishes your family  
a happy and healthy holiday season!**