

4<sup>TH</sup> QUARTER 2023

## Alabama Tax Deduction Reminders

Alabama taxpayers who made a contribution into a CollegeCounts account before December 31, 2023 may be eligible for a state income tax deduction up to \$10,000 for married taxpayers filing jointly if both made the contribution (\$5,000 when filing as an individual)<sup>1</sup>.

Here are some things to consider when taking advantage of the state income tax deduction<sup>1</sup>:

- Year-to-date contribution amounts can be found on your 4th quarter statement. Review contributions between your bank account, CollegeCounts statements, and online transaction history.
- Only contributions received by 3 pm CT on Friday, December 29th are included with your 4th quarter 2023 CollegeCounts statement. Contributions mailed in late December with a 2023 postmark that are received by CollegeCounts in early January 2024, will appear on your 1st quarter 2024 statement. Review any “prior year” contributions and add them to your 2023 contribution total, if necessary.
- The full amount of a rollover from out-of-state 529 account may be deductible for Alabama state income tax purposes<sup>1</sup>.
  - \*When considering a rollover, make sure to meet with your tax advisor to review any potential recapture of tax deductions received from the original state, as well as whether any penalties or charges apply.
- Adjust for any contributions made by a third-party (not deductible by you).

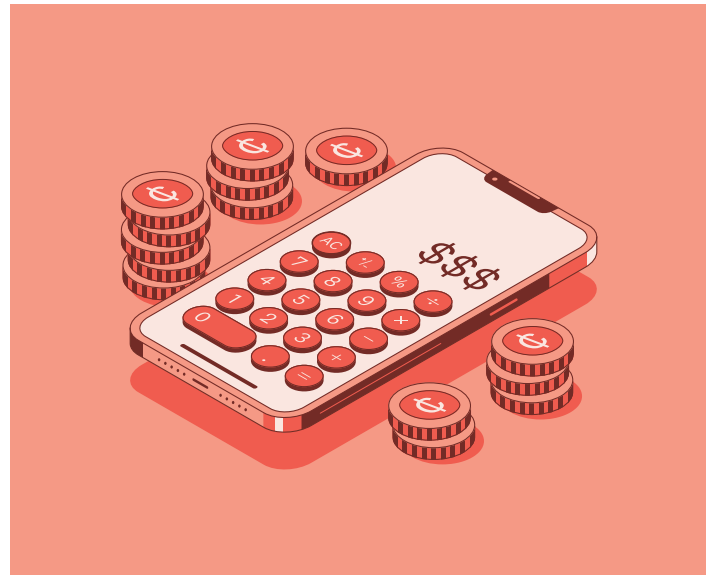
If you made a gift of more than \$17,000 (the 2023 annual gift tax exclusion) into a beneficiary's CollegeCounts account, we recommend reaching out to your tax professional to determine whether you are required to file a Form 709 Gift Tax Return to have your gift split over five years.

## Gift Tax Exclusion Increase

In 2024, the IRS will be increasing the annual gift tax exclusion limit from \$17,000 to \$18,000. Reach out to your tax professional with any questions.

## Reporting 2023 Withdrawals

Tax Form 1099-Q will be mailed in late January 2024 for any 2023 withdrawals from a CollegeCounts account. Your 1099-Q Tax Form can also be viewed using the “Statements/Tax Form” link after logging into your account at [CollegeCounts529.com](https://CollegeCounts529.com). The 1099-Q is issued to the Account Owner for any distributions paid directly to them. The 1099-Q is issued to the Beneficiary for any distributions paid directly to them or to the school. We recommend keeping all documentation of your qualified expenses<sup>2</sup>, including your 1099-Q, with your tax paperwork in the event of questions or an audit. Discuss any questions with your tax professional.



## Possible Tax Credit

If you have a current college student and you paid for any 2023 qualified expenses<sup>2</sup> out of your own pocket (not from your CollegeCounts account), you may qualify for an American Opportunity or Lifetime Learning tax credit. The American Opportunity or the Lifetime Learning credit can be claimed during the same year as an expense, even if you withdrew from a 529 plan as well, as long as the tax credit and the 529 funds were not used for same expenses. For more information, review IRS Publication 970 and talk to your tax professional.

## Scholarship Opportunity

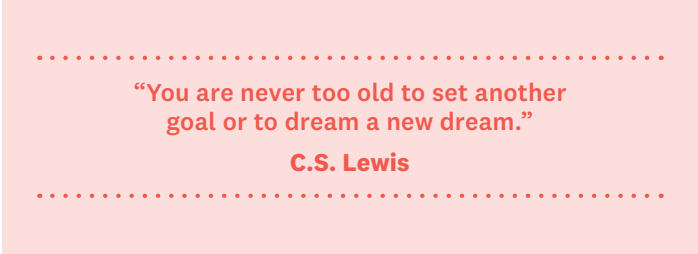
CollegeCounts and the State of Alabama are proud to offer scholarships to students across the state! If you know an Alabama high school senior or first-time college freshman who plans to attend an Alabama college beginning in the fall of 2024, encourage them to apply for the CollegeCounts Scholarship. Scholarships up to \$4,000 are awarded for students attending a four-year college, or up to \$2,000 for students attending a two-year school. The deadline to apply for the CollegeCounts Scholarship is **February 29, 2024**. For more details and to apply, visit [Treasury.Alabama.gov/collegecounts-scholarship](https://Treasury.Alabama.gov/collegecounts-scholarship) today.

## Upcoming FAFSA Changes

If you have a student applying for federal aid, we recommend reviewing the upcoming changes with FAFSA in 2024-2025. One important change to note is that distributions from a grandparent-owned 529 plan will no longer be counted as income to the beneficiary for the following year’s FAFSA form. We encourage you to reach out to your student’s financial aid office/counselor with any questions you might have about the changes.

## Updated Program Disclosure Statement

We have recently updated the CollegeCounts Program Disclosure Statement. Be sure to review and keep it with your important plan documents.



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](https://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 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 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 and Trust Company serves as Program Manager. 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 and Trust Company, 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; apprenticeship program expenses; payment of principal or interest on any qualified education loan of the Beneficiary or a sibling of the Beneficiary (up to an aggregate lifetime limit of \$10,000 per individual); and up to \$10,000 per year in K-12 Tuition Expenses. 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.