

# Informer

CollegeCounts<sup>SM</sup>  
Alabama's 529 Fund

ADVISOR PLAN

1st Quarter 2016

## 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. The changes described below are effective as of January 1, 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 includible 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 excludible 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.

## 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 [CollegeCounts529advisor.com](http://CollegeCounts529advisor.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 [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com).

## 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 [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com) under “Where Can I Obtain a Copy of the Audited Financial Statements?” in the FAQ section.

 A contribution to CollegeCounts makes a great gift. Invite your friends and family to gift online. Learn more at: [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com)



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## 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.

## An Investment in Education

*“An investment in knowledge pays the best interest.”*

- Benjamin Franklin

You can look at the quote above in a couple different ways. The first is that education has always been and will continue to be an important key to an individual's success. Saving for your loved one's future college expenses will help them achieve their education dreams and live a successful and fulfilling life. You have taken the first step in helping them by saving for their future college expenses with CollegeCounts.

Another way to look at Benjamin Franklin's quote is that it pays to be knowledgeable about what you're investing in and why. The performance of the financial markets has been difficult to predict during the 1st Quarter of 2016. While the markets may continue to be unpredictable, history has shown that those who invest for a long period of time are rewarded. We recommend that you consider your long-term investment objectives when selecting the investment option for your account. CollegeCounts offers a diverse group of investment options – including three Age-Based Tracks that will automatically shift to more conservative investments as your beneficiary gets closer to college age. Don't try to time the markets' movements and don't panic when the markets pull back. Work with your financial professional to choose the investment option that you will be comfortable with in all market cycles.

The tax benefits offered by CollegeCounts are a great incentive to invest for the long term. The earnings in your account grow on a tax-deferred basis and can be withdrawn tax-free for qualified higher education expenses. In addition, Alabama taxpayers are eligible for a state income tax deduction for the contributions they make to a CollegeCounts account up to \$5,000 for individuals or \$10,000 for those married and filing jointly. Invest early in your beneficiary's life and continue to increase your contributions as they get older. With the variety of investment options available in the plan, you can invest with the confidence that the amount you are saving, coupled with the tax benefits offered by CollegeCounts will help your beneficiary reach their higher education goals.

## CollegeCounts E-Statements

Would you prefer to receive account statements and communications electronically? Sign up for E-Delivery of your Quarterly Statements and program disclosure documents after logging into your account online at [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com). We offer a fast, easy and secure way to obtain your statements.

## CollegeCounts Feedback

CollegeCounts is dedicated to providing outstanding customer service to all of our investors. We want to ensure that each time you contact us, you receive prompt, knowledgeable and friendly service from our 529 Customer Care Specialists. To ensure a continuous high level of service, we ask current CollegeCounts account owners to offer us feedback on the level of our customer service, commonly known as mystery shops. Mystery shoppers are asked to complete a brief survey each quarter regarding the service they receive when contacting us by phone and are paid for each shop they complete. If you are interested in participating as a shopper or if you have any questions about the program, Cross Financial Group will provide you with a full information package about the benefits of the program. You can contact Cross Financial Group at [shopping@crossfinancial.com](mailto:shopping@crossfinancial.com) (please reference CollegeCounts in your email).

## Thank you for investing with CollegeCounts!

The CollegeCounts 529 Fund Advisor Plan is a qualified tuition program under Section 529 of the Internal Revenue Code that is sponsored 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. Accounts and investments under the CollegeCounts 529 Fund Advisor Plan are not insured or guaranteed by the FDIC, the State of Alabama, the State Treasurer of Alabama, the Board, the Trust, the Program, Union Bank & Trust Company, Northern Trust Securities, Inc., 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 and the Program before investing. This information is contained in the Program Disclosure Statement (issuer's official statement). Please read it carefully before investing. For a copy, call 866.529.2228, visit the plan web site, or contact your investment professional.**

**An investor should consider, before investing, whether their home state or the designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.**

Not FDIC Insured // May Lose Value // No Bank Guarantee

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