

Final tax reminders

With tax season drawing to a close, here are some final tax-related reminders for CollegeCounts owners and contributors. Please visit the "Tax Center" at CollegeCounts529advisor.com for more information and be sure to [discuss any tax-related questions with your tax professional](#).

Alabama Tax Deduction

- ▶ 2018 contributions to CollegeCounts can be deducted on Alabama Form 40, Part II, Line 8 up to \$5,000 for single filers (up to \$10,000 if married, filing jointly when both spouses contribute)¹.
- ▶ If you mailed a contribution with a 2018 postmark that was invested in early January 2019, it will appear on the 1st Quarter 2019 statement as a "Prior Year Contribution". It is our understanding that a "Prior Year Contribution" is eligible for 2018 tax deduction purposes.
- ▶ The contribution deadline for a 2018 state income tax deduction was December 31, 2018. Contribute now to take advantage of the Alabama state income tax deduction for 2019!

2018 Withdrawals

- ▶ Tax Form 1099-Q was mailed in January if a withdrawal was requested in 2018.
- ▶ Please consult your tax professional regarding any filing requirements.
- ▶ Keep all documentation of your qualified expenses² in the event of questions from the IRS or Department of Revenue.

Gift Tax Return

- ▶ IRS Form 709 is required to be filed by April 15th to report any gifts over \$15,000 to a CollegeCounts account in 2018.

American Opportunity & Lifetime Learning Credits

- ▶ Don't forget to take advantage of the American Opportunity and Lifetime Learning tax credits if you paid college expenses in 2018.
- ▶ Withdrawals from CollegeCounts cannot be for the same expenses that are claimed with these credits – no "double-dipping".
- ▶ Review IRS Publication 970 and discuss in detail with your tax professional.

Recontribution of College Refunds

- ▶ If your student's enrollment changed and you received a refund from a college, the refund can be recontributed to the same CollegeCounts account within 60 days with no penalty.
- ▶ A Tax Form 1099-Q would still be issued for the initial withdrawal.
- ▶ It is important to keep all documentation of the withdrawal and recontribution for tax purposes.

Invest your Tax Refund with CollegeCounts

- ▶ If you will receive a federal or state tax refund, consider investing a portion of those dollars with CollegeCounts.
- ▶ Visit the "Tax Center" at CollegeCounts529advisor.com for more information and direct deposit instructions.

GIVE THE GIFT OF EDUCATION

A contribution to CollegeCounts makes an excellent graduation gift for any student. A senior in high school could begin to utilize funds contributed to their account for their upcoming college expenses this fall. But don't forget about CollegeCounts contributions for younger beneficiaries as well – students graduating from middle school, elementary school, kindergarten or pre-school can also benefit from gift contributions for their future education expenses. GiftED is a great way to get family members or friends involved in helping save additional funds for your beneficiary. Simply log into your account to send an email invitation to anyone who may want to contribute to your CollegeCounts account for an upcoming special event such as a graduation. Birthdays and holidays are also a great time to send an invitation for a gift contribution. Every contribution will help your beneficiary achieve their future education goals!

COLLEGE COUNTS 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. Select "FAQ's" at the top of the site and find the link under the question, "Where can I obtain a copy of the audited financial statements?"

Investment Option Enhancements

CollegeCounts continually reviews the investment options offered by the plan in order to make enhancements that will keep the program a low-cost and appealing way for investors to save for future college expenses. As previously communicated by mail, email and on our website, several changes will be made to the investment option line-up on April 9, 2019.

The following changes will be made to the Age-Based, Target and Individual Fund portfolios:

- ▶ Vanguard Emerging Markets Select Stock Fund will replace Lazard Emerging Markets Equity Fund
- ▶ Principal Global Real Estate Securities Fund will replace Voya Global Real Estate Fund

The following change will be made to the Individual Fund Portfolios:

- ▶ DFA Real Estate Securities Portfolio will replace T.Rowe Price Real Estate Fund

All of the changes will be completed automatically with no additional action required of account owners. Changes made by the plan should not be considered an investment option change to accounts for Federal income tax purposes. Detailed information about the changes was previously communicated by mail and email and can also be found at CollegeCounts529advisor.com under the “Resources” link. Please feel free to reach out to us at 866.529.2228 if you have any questions. You may also reach out to your financial professional for assistance.

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 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 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; and certain expenses for special needs services needed by a special needs beneficiary. 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 non-qualified withdrawal plus 10% of the amount withdrawn.

Contact Information

It is important that we have current contact information for all account owners – especially those account owners who receive statements electronically or use online access as a primary means of obtaining account information. Please log into your account at CollegeCounts529advisor.com and take a moment to review your contact information under the “Account Profile” heading. We ask that you review all of the contact information and make any necessary updates to your address, phone number and email address. We do not use your contact information for marketing purposes, but do rely on the information to be correct in order to communicate important program information from time-to-time.

Important Role of Successor Account Owner

An Account Owner can choose to name a Successor Account Owner who would take over ownership of a CollegeCounts account in the event of the account owner’s death. Naming a Successor Account Owner is recommended in order to ensure the account ownership is transferred to the individual an account owner intends to pass the account to and streamlines the ownership change process. It is important to periodically review the Successor Account Owner designation to ensure the individual named continues to be the desired selection. You can review your account information by logging in at CollegeCounts529advisor.com. Once logged in, select the “Account Profile” heading to review your Successor and make any necessary changes. You can also complete and submit the Successor Account Owner form found under the “Forms” link of our main site to add or change your designation.