

Important 2019 Tax Reminders

The following is some important tax-related information that may be helpful as you begin to prepare your 2019 tax returns. We strongly encourage you to reach out to your tax professional with any tax-related questions you have. Additional tax information is available on the "Tax Center" link at **CollegeCounts529advisor.com** as well as at **IRS.gov** and **Revenue.Alabama.gov**.

2019 Tax Deduction

It is our understanding that Alabama taxpayers can deduct contributions up to \$5,000 (\$10,000 for married taxpayers filing jointly if both actually contribute)¹. December 31st is the deadline to contribute each year to qualify for the state income tax deduction. Your 4th quarter 2019 statement provides the year-to-date contributions from January 1 – December 31 to your account. That total is a good starting point when determining how much you may be able to deduct for Alabama state income tax purposes. Keep in mind if family members or friends made a contribution to your account, their contributions will also be reflected in the year-to-date contribution total. You will need to subtract others' contributions from the total in order to better determine the amount you may be able to deduct. We encourage taxpayers to keep documentation of their contributions (cancelled checks, bank statements reflecting electronic contributions, etc.) with their tax paperwork.

If you mailed a contribution with a December 2019 postmark that was not received and invested until January 2020, that contribution will appear on your 1st quarter 2020 statement with a description of "Prior Year Contribution". It is our understanding that a "Prior Year Contribution" received in January 2020 may be eligible for the 2019 state income tax deduction. You may need to add that contribution amount to the year-to-date total found on your 4th quarter statement. We encourage you to review your contribution records carefully when determining the amount of the contributions that may be deductible for your 2019 Alabama state income tax return. You can review your current transaction history by logging into your account at **CollegeCounts529advisor.com**.

It is our understanding that the full amount of a rollover from an out-of-state 529 program may be deductible up to \$5,000 for Alabama state income tax purposes (up to \$10,000 for married taxpayers filing jointly if both actually contribute)¹.

APPLY NOW FOR THE COLLEGE COUNTS SCHOLARSHIP

The application for the CollegeCounts Scholarship is now open through February 27, 2020. Alabama students who intend to be first-time enrollees in an Alabama college for the Fall 2020 semester are encouraged to apply. Awards of \$4,000 are available for students enrolling in a four-year college. Two-year college enrollees are eligible for a \$2,000 award. The mission of the CollegeCounts Scholarship is to assist deserving Alabama students in achieving their college education dreams! We have awarded over \$6 million in scholarship funds in Alabama over the last seven years. Our goal for 2020 is to award at least two scholarships in every county in the state of Alabama. Visit <http://treasury.alabama.gov/collegecounts-scholarship/> to review the eligibility requirements and get started on your application.



Gift Tax Return (IRS Form 709)

If you made a large gift in 2019 (generally more than \$15,000) we encourage you to discuss any required tax filings with your tax professional. It is our understanding IRS Form 709 should be filed (whether or not any gift tax is ultimately due) any time a gift of over \$15,000 is made to someone other than your spouse.

2019 Withdrawal Reporting

IRS Form 1099-Q will be issued in late January for any distributions from CollegeCounts accounts in 2019. The form will be issued to the Account Owner for all distributions paid to the owner. The Beneficiary will receive the 1099-Q for any distributions paid to them or directly to a college. The forms will be mailed to each recipient and will also be available to the Account Owner after logging in at CollegeCounts529advisor.com.

It is our understanding that the earnings portion only of a non-qualified withdrawal is subject to federal income tax and a 10% federal tax penalty. For Alabama state income tax purposes, when a non-qualified withdrawal is requested, an amount must be added back to the income of the contributing taxpayer in an amount of the nonqualified withdrawal plus ten (10%) percent of such amount withdrawn¹.

We encourage you to keep all documentation of your qualified expenses² as well as your IRS Form 1099-Q with your tax paperwork.

Education Tax Credits

You may be able to take advantage of the American Opportunity Credit or Lifetime Learning Credit if you paid any college expenses out-of-pocket in 2019. It is our understanding that you can claim the credits in the same year as a tax-free distribution from a 529 account as long as the same qualified expenses are not used for both benefits. This means that after the beneficiary reduces qualified education expenses by tax-free educational assistance, he or she must further reduce them by the expenses taken into account in determining the credit. More detailed information can be found in IRS Publication 970 which can be found at IRS.gov. Remember to discuss the credits and your 529 withdrawals with your tax professional to determine the best way to coordinate the various tax benefits.

Recontribution of a College Refund

If a beneficiary receives a refund of qualified higher education expenses from an eligible educational institution, the amount of the refund will not be subject to federal income tax to the extent it is recontributed to a 529 plan account for the same beneficiary, but only to the extent such recontribution is made no later than sixty (60) days after the date of such refund and does not exceed the refunded amount. Be sure to discuss any college refunds with your 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 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).

¹Individuals 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.

²Withdrawals 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.