

## Important 2018 Tax Information

As you begin to prepare your 2018 tax return, here are some important tax-related reminders:

### ▶ Alabama Tax Deduction

Alabama taxpayers can take advantage of the Alabama state income tax deduction for contributions made on or before December 31st 2018. Individuals can deduct up to \$5,000 and married couples filing a joint return can deduct up to \$10,000 if both parties made contributions.<sup>1</sup>

Contributions received in the mail in early January 2019 which had a 2018 postmark were invested on the date received with a description of "Prior Year Contribution". Please review your transaction history at CollegeCounts529advisor.com for any "Prior Year" contributions that can be included for 2018 tax deduction purposes.

It is our understanding that the full amount of a rollover from an out-of-state 529 program can be deducted on an Alabama Tax Return up to \$5,000 for individuals or \$10,000 for those married and filing a joint return.

### ▶ 2018 Withdrawals

Tax Form 1099-Q will be issued prior to February 1, 2019 for any withdrawals requested from CollegeCounts. The 1099-Q is issued to the Account Owner for any distributions that were paid to the owner. The Beneficiary will receive the 1099-Q for any distributions payable to the Beneficiary or directly to

a college. The forms will be mailed to the recipient and will be available to the Account Owner via their secure online access at [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com).

It is our understanding that qualified withdrawals for a beneficiary's higher education expenses<sup>2</sup> would not be reported on your IRS Form 1040. We recommend that you keep the documentation of your qualified expenses and IRS Form 1099-Q with your tax paperwork.

The earnings portion only of a non-qualified withdrawal is subject to federal income tax, a 10% federal tax penalty, and Alabama state income tax.<sup>1</sup> We recommend that you discuss any tax-related questions with your tax professional for guidance.

### ▶ Gift Tax Return (IRS Form 709)

If you made large gifts (over \$15,000) to a CollegeCounts account in 2018, please discuss IRS Form 709 with your tax professional. It is our understanding that Form 709 must 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.

### ▶ American Opportunity and Lifetime Learning Credits

If you are paying for college expenses, be sure to discuss with your tax professional the best way to

coordinate the various tax benefits. It is our understanding that you can take advantage of an American opportunity or lifetime learning credit in the same year a tax-free distribution is made from a 529 account as long as the same expenses aren't 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. Please review IRS Publication 970 (found at IRS.gov) for more information.

### ▶ Recontribution of College Refunds

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.

Additional tax information is available on the "Tax Center" at [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com), and also at [Revenue.Alabama.gov](http://Revenue.Alabama.gov), and [IRS.gov](http://IRS.gov).

## Account Management Tool

Take advantage of the features of online access for your accounts. Through our secure website you can:

- ▶ Review transaction history
- ▶ Make one-time contributions
- ▶ Start or change an Automatic Investment Plan
- ▶ Send GiftED invitations
- ▶ Request withdrawals or investment changes
- ▶ Update your address and contact information
- ▶ Review and update a Successor Account Owner
- ▶ Review statements and withdrawal-related tax documents

Online access is a great tool that puts the management of your CollegeCounts account at your fingertips. Visit **CollegeCounts529advisor.com**, select "Login" and choose "Individual Investor" to get started. Feel free to reach out to us at 866.529.2228 and we would be happy to walk you through the simple steps. Manage your CollegeCounts account 24/7 with online access!



**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).

<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; 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.

NOT FDIC INSURED / NO BANK GUARANTEE / MAY LOSE VALUE

## CollegeCounts Scholarship

Applications for the CollegeCounts scholarship are now being accepted through February 28, 2019. Any Alabama student who intends to pursue their higher education at an Alabama college and who will be a first-time college freshman in fall 2019 is encouraged to review the eligibility requirements and apply at **[treasury.alabama.gov/collegecounts-scholarship](https://treasury.alabama.gov/collegecounts-scholarship)**.

## Long-Term Investing

The markets have experienced fluctuations and volatility over the last several months. Especially during periods of fluctuations, we encourage investors to remain focused on their long-term investment goals. Make sure your investment option is one that you have selected with your long-term investment objectives and time horizon in mind. When you invest with long-term goals in mind, some fluctuations may be expected to occur. Don't be tempted to chase market returns. Review your investments periodically with your financial advisor to ensure they continue to meet your long-term objectives.

## E-Delivery

Take advantage of timely email notifications when your quarterly account statements are ready to review online. Sign up for E-delivery for statements and plan documents after you log in at **CollegeCounts529advisor.com**. Once logged in, select the "Statements & Tax Forms" link to edit your delivery preferences for statement notifications.