

## Fall Semester Expenses and Withdrawals

If your beneficiary will be attending college in the fall, here are some helpful reminders as you prepare to use your CollegeCounts account to pay their qualified expenses. Visit [CollegeCounts529advisor.com/benefits/use-of-funds/](http://CollegeCounts529advisor.com/benefits/use-of-funds/) for more detailed information about eligible institutions, qualified expenses and other considerations:

- ▶ There are eligible schools nationwide (as well as some foreign schools). Schools must be accredited by the U.S. Department of Education and eligible to participate in Federal Financial Aid programs.
- ▶ Qualified expenses include tuition, fees, books, supplies and equipment required for the beneficiary's enrollment or attendance, computers, computer equipment and software and internet access for the beneficiary. Room and board expenses are included for students who are enrolled at least half-time.<sup>1</sup>
- ▶ Keep all documentation of your expenses with your tax paperwork – you do not need to provide documentation to CollegeCounts.
- ▶ Match your qualified expenses and withdrawals from your CollegeCounts account in the same calendar year.
- ▶ Request withdrawals at least 7-10 days prior to your payment deadline to allow for mail time and processing time by the college.
- ▶ Distributions can be issued to the Account Owner, Beneficiary, College, or the Account Owner's Bank Account on file.

When you are ready to request a withdrawal, log into your account at [CollegeCounts529advisor.com](http://CollegeCounts529advisor.com) to walk through the simple steps.

## CONGRATULATIONS SCHOLARSHIP RECIPIENTS!

Heartfelt congratulations to the 2020 graduates who were selected as recipients of the CollegeCounts Scholarship! A total of 354 Alabama students received scholarships totaling more than \$1.2 million that will be paid to Alabama colleges during the upcoming school year. At least one student from each of the 67 counties in Alabama received a scholarship award! The Alabama State Treasurer has sponsored the CollegeCounts scholarship for the last eight years and has awarded more than \$7 million to deserving students across the state to help them further their education and achieve their career goals. We especially salute this special group of 2020 graduates who encountered numerous challenges during the spring semester of their senior year due to the global pandemic. Their perseverance, courage, and resilience are an inspiration to us all! There is nothing they can't accomplish and we know their future is bright! Best wishes to the class of 2020 as you begin your college journey! For more information about the CollegeCounts Scholarship, please visit [treasury.alabama.gov/collegcounts-scholarship/](http://treasury.alabama.gov/collegcounts-scholarship/)



## Disciplined Investing

The markets have continued to experience unpredictability with big movements both up and down over the last several months. Select your investment option with your risk tolerance and time horizon in mind and periodically review your investments with your advisor to ensure they continue to be appropriate for your unique financial situation. Making a disciplined investment decision that is focused on your long-term goals will help you get through periods of market volatility. Please review additional information at [CollegeCounts529advisor.com/covid-19-market-volatility-update/](http://CollegeCounts529advisor.com/covid-19-market-volatility-update/)

## Back-to-School Sales Tax Holiday Weekend

Mark your calendars and get your school supply lists ready! The 15th annual Alabama sales tax holiday for school-related items will be held from July 17-19. Shoppers can purchase certain school supplies, computers, books, and clothing free of Alabama sales or use tax. Only certain cities and counties participate in the sales tax holiday. Visit the Alabama Department of Revenue website at [revenue.alabama.gov](http://revenue.alabama.gov) and search for "school sales tax holiday" for more details and to find the list of 2020 participating localities. Don't miss out on the opportunity to take advantage of the sales tax holiday for your upcoming school and college expenses.

**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](http://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> 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.

<sup>2</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.

NOT FDIC INSURED / NO BANK GUARANTEE / MAY LOSE VALUE

**Have a great summer! Most importantly, continue to be safe, be smart, and stay healthy!**

## College Refunds

If your beneficiary receives a refund of any college expenses that were paid out of a CollegeCounts account, the Account Owner has the option to keep those funds to pay for other qualified expenses in the same calendar year. A refund could also be recontributed to your CollegeCounts account within 60 days of the date of the refund. Visit [CollegeCounts529advisor.com/resources/tax-center/](http://CollegeCounts529advisor.com/resources/tax-center/) for more information.

## Tax Reminders

If you have not yet completed your tax filings for 2019, it is our understanding that July 15th is the extended deadline this year. As you wrap up your taxes don't forget the following:

- ▶ Alabama taxpayers should be able to deduct their 2019 contributions to CollegeCounts on Form 40, Part II, Line 8. The Alabama state income tax deduction limits are \$5,000 for individuals or \$10,000 if married, filing jointly when both spouses contribute<sup>2</sup>
- ▶ Tax Form 1099-Q was issued for withdrawals in 2019. Remember to discuss any reporting requirements with your tax professional.
- ▶ It is our understanding that large contributions to CollegeCounts (over \$15,000) are considered a Gift to the Beneficiary. Check with your tax professional to determine if a Gift Tax Return (IRS Form 709) is required to be filed.
- ▶ Education Tax Credits may be claimed for certain college expenses paid out-of-pocket as long as the same expenses were not used to substantiate withdrawals from CollegeCounts. Check IRS Publication 970 and consult your tax professional for more detailed information.

Visit [CollegeCounts529advisor.com/resources/tax-center/](http://CollegeCounts529advisor.com/resources/tax-center/) for more detailed information and consult your tax professional for guidance and advice.

