

## Final 2020 Tax Reminders

Here are some tax-related reminders as you finalize your 2020 tax filings.

- ▶ **State income tax deduction for 2020 contributions to CollegeCounts<sup>1</sup>**
  - Up to \$5,000 for single filers
  - Up to \$10,000 if married, filing jointly when both spouses contribute
  - December 31, 2020 contribution/postmark deadline
  - Contribute now for 2021 state income tax deduction benefits
- ▶ **Tax Form 1099-Q issued in early 2021 for all 2020 withdrawals<sup>2</sup>**
  - Account Owner received the 1099-Q for any distributions payable to them
  - Beneficiary received the 1099-Q for any distributions payable to them or directly to a college
- ▶ **Refunds from a college can be re-contributed to the same beneficiary's account within 60 days of the date of the refund**
  - Keep documentation of your expenses, withdrawal and re-contribution
- ▶ **IRS Form 709 is required to be filed for large gift contributions to CollegeCounts accounts (generally over \$15,000)**
- ▶ **The American Opportunity or Lifetime Learning Credit may be available to you if you paid college expenses out-of-pocket in 2020**

### Resources that may help:

1. [CollegeCounts529advisor.com/resources/tax-center](http://CollegeCounts529advisor.com/resources/tax-center)
2. [Revenue.Alabama.gov](http://Revenue.Alabama.gov)
3. [IRS.gov](http://IRS.gov)

Remember to keep the documentation of your expenses and withdrawals from your CollegeCounts account in the event of future questions. Be sure to consult your tax or financial professional for guidance and advice with any tax-related questions.

## UPCOMING INVESTMENT OPTION CHANGES

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 higher education expenses. As previously communicated by mail, email and on our website, several changes will be made to the investment option lineup in the Age-Based, Target and Individual Fund portfolios on April 15, 2021.

- ▶ The Touchstone High Yield Fund will be replaced by the BlackRock High Yield Bond Portfolio.
- ▶ The Templeton International Bond Fund will be replaced by the AB Global Bond Fund.

No action is required by investors for the enhancements, which will result in lower fees and greater diversity among the investment options in the plan. Changes made by the plan should not be considered an investment option change to accounts for Federal income tax purposes. For more detailed information or to review the communication and Program Disclosure Statement supplement, please visit: [CollegeCounts529advisor.com/resources/updates-plan-news](http://CollegeCounts529advisor.com/resources/updates-plan-news). You may also reach out to your financial professional for assistance.



## Graduation Gift Idea

A gift contribution to CollegeCounts can be a benefit to a graduate of any age. Whether you have a beneficiary graduating from Pre-K, Kindergarten, Middle School, or High School, please consider a contribution to CollegeCounts when trying to find the perfect gift for your loved one. Account Owners can log into their account to make a contribution at any time or to send GiftED invitations to family members or friends who may want to contribute as well. More information and printable gift certificates can be found at [CollegeCounts529advisor.com/benefits/give-a-gift](https://CollegeCounts529advisor.com/benefits/give-a-gift). The gift of higher education will last your beneficiary a lifetime and is a true investment in their future success.

## Easy, Automatic Contributions

Busy parents and grandparents are always looking for conveniences to make life a little easier. CollegeCounts makes contributing to an account simple and efficient by offering Automatic Investment Plan options for contributions. Set up an Automatic Investment Plan to make periodic contributions to CollegeCounts directly from your bank account. Monthly (or twice a month) contributions are a popular option for many investors, but we also offer weekly, quarterly, semi-annual or annual contribution frequencies for account owners who prefer to automate their investments. Do you always make a contribution for your beneficiary at their birthday, for certain holidays, or in December before the year-end contribution deadline? Consider setting up one (or more) annual Automatic Investment Plan(s) to ensure you never miss an important contribution deadline. Log into your account at [CollegeCounts529advisor.com](https://CollegeCounts529advisor.com) and choose the "Automatic Investment Plan" option to get started today. It takes less than 5 minutes to automate your contributions and will provide you peace of mind knowing that you are helping your student achieve their higher education goals.

**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](https://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).

Except for any investments made by an investor in the Bank Savings Individual Fund Investment Option up to the limit provided by Federal Deposit Insurance Corporation ("FDIC") insurance, neither the principal contributed to an account, nor earnings thereon, are guaranteed or insured by the FDIC, the State of Alabama, the State of Alabama Treasurer, 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.

<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.

## Who is Your Successor Account Owner?

CollegeCounts offers Account Owners the opportunity to name or change a Successor Account Owner at any time. The Successor Account Owner is the individual who would take over ownership of the account in the event of the death of the Account Owner. We recommend that you review your Successor Account Owner designation on a regular basis and ask yourself the following questions:

- ▶ Have you named a Successor Account Owner? If not, we encourage you to consider this option.
- ▶ Does your named Successor Account Owner know you have a CollegeCounts account? If not, we encourage you to notify them of the account and your intention to have them take over ownership in the future.
- ▶ Is your named Successor Account Owner still the most appropriate person to designate as the future account owner? We encourage you to review and update your Successor Account Owner designation whenever necessary.

To review or make changes to your current Successor Account Owner designation, you can log into your account at [CollegeCounts529advisor.com](https://CollegeCounts529advisor.com). Changes can be made by selecting the "Account Profile" option from the navigation menu.

## 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](https://CollegeCounts529advisor.com). Select "FAQ's" at the top of the homepage and find the link under the question, "Where can I obtain a copy of the audited financial statements?"

**NOT FDIC INSURED\* / NO BANK GUARANTEE / MAY LOSE VALUE**

(\*except the Bank Savings 529 Portfolio underlying investment)

**Spring is here and summer is near! Enjoy the sunny days!**

