

2022 Alabama Tax Deduction Reminders

If you made contributions to your CollegeCounts account in 2022, you may be eligible for some great tax benefits! Alabama taxpayers may be able to claim a state income tax deduction for their contributions (including rollover contributions)¹ up to \$10,000 if married, filing jointly and both spouses contribute (up to \$5,000 for individuals)².

Here are some helpful reminders regarding 2022 contributions for the Alabama state income tax deduction²:

- ▶ Your 4th quarter 2022 statement will provide the year-to-date contributions from January 1st to December 31st and is a good place to start.
- ▶ Contributions mailed in late December 2022 with a 2022 postmark that were received and invested in January 2023 as "Prior Year Contributions" will appear on the 1st quarter 2023 statement and may need to be added to your 2022 year-to-date contribution total.
- ▶ Contributions made online between 3 pm on Friday, December 30th and 11:59 pm on Saturday, December 31st were invested on January 3, 2023 as "Prior Year Contributions" and will appear on the 1st quarter 2023 statement. They may need to be added to your 2022 year-to-date contribution total.
- ▶ Any "Prior Year Contributions" received in January 2022 that were deducted on your 2021 Alabama state income tax return should be subtracted from the year-to-date total.
- ▶ Subtract any gift contributions made by family members or friends from the year-to-date total.
- ▶ Keep all documentation of your contributions (bank statements, cancelled checks, etc) in the event of questions or an audit.

In mid-February 2023, CollegeCounts will provide a 2022 Contribution Summary document for Account Owners to review and/or download. The document will be available under the "Statements & Tax Forms" section of the secure account portal at CollegeCounts529advisor.com.

Additional Tax Reminders

1. Tax Form 1099-Q will be provided in late January 2023 for any 2022 withdrawals from a CollegeCounts account. The 1099-Q is issued to the Account Owner for any distributions payable directly to them. The 1099-Q is issued to the Beneficiary for any distributions payable directly to them or to the college. We recommend that you keep the 1099-Q and all documentation of your qualified expenses³ with your tax paperwork in the event of an audit.
2. If you made any large gifts to your beneficiary's 529 plan in 2022 (typically over \$16,000), we recommend speaking with your tax professional to determine if you are required to file a Form 709 Gift Tax Return. The deadline to file that form is generally April 15th.
3. If you paid for college expenses out-of-pocket in 2022, you may qualify for an American Opportunity or Lifetime Learning tax credit. An American Opportunity or Lifetime Learning credit can be claimed in the same year the beneficiary takes a tax-free distribution from a 529 plan, as long as the same expenses aren't used for both benefits. IRS Publication 970 has additional information regarding these tax credits.
4. Remember to discuss any questions with your financial professional. In addition, we always recommend speaking to your tax professional for guidance regarding your individual situation and any required tax filings. More information can be found in the Tax Center at CollegeCounts529advisor.com, as well as IRS.gov, and Revenue.Alabama.gov.



CollegeCounts Scholarship Application Deadline

CollegeCounts and the State of Alabama are offering scholarships to hundreds of students from across our beautiful home state. Eligible students attending a four-year Alabama college could receive scholarships up to \$4,000, while students attending a two-year Alabama college could receive scholarships up to \$2,000. If you know a student in Alabama who will be a college freshman in the fall, encourage them to apply! The application deadline is **February 28, 2023**. For further information or to apply, visit Treasury.Alabama.gov/CollegeCounts-scholarship.

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 Advisor Plan 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). Union Bank and Trust Company serves as Program Manager and Northern Trust Securities, Inc., acts as Distributor. Except for any investments made by a Participant in the Bank Savings 529 Portfolio 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 State of Alabama, the State Treasurer of Alabama, the Board, the Trust, the Program, any other state, any agency or instrumentality thereof, Union Bank and Trust Company, Northern Trust Securities, Inc., the FDIC, or any other entity. Investment returns are not guaranteed. Account Owners in the Plan assume all investment risk, including the potential loss of principal.

¹ Rollovers from another qualified tuition program are treated as a non-taxable distribution from the distributing qualified tuition program provided (1) it has been more than 12 months since any previous rollover for the beneficiary, or (2) the beneficiary of the account is changed to a Member of the Family of the current beneficiary.

² 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.

³ 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; certain expenses for special needs services needed by a special needs beneficiary; apprenticeship program expenses; payment of principal or interest on any qualified education loan of the Beneficiary or a sibling of the Beneficiary (up to an aggregate lifetime limit of \$10,000 per individual); and up to \$10,000 per year in K-12 Tuition Expenses. 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 nonqualified withdrawal plus 10% of the amount withdrawn.

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

(*except the Bank Savings 529 Portfolio underlying investment)

**"We all get the exact same 365 days.
The only difference is what we do with them."**

– Hillary DePiano

Gift Tax Exclusion Increase

The IRS has announced an increase to the annual gift tax exclusion. The new limit for 2023 is \$17,000 per individual. Enclosed with your statement is a Program Disclosure Statement Supplement with additional details. Please review the supplement and keep it with your plan paperwork. We encourage you to reach out to your financial advisor or tax professional with any questions.

Re-Contribute Your College Refund

If you receive a refund from an eligible educational institution, you have options for those funds:

1. You can use the funds for other qualified expenses³ that your beneficiary may have in the same calendar year.
2. You can recontribute the refunded amount back into your student's 529 account within 60 days after the date of the refund. The amount contributed cannot exceed the amount of the refund.

Visit the Tax Center at CollegeCounts529advisor.com for more information. Always keep documentation of your expenses, withdrawals and any refunds you receive. We also recommend that you speak to your financial and/or tax professional with any tax-related questions you may have.


CollegeCounts
ADVISOR-GUIDED 529 FUND