

## Alabama Tax Deduction Reminders

Alabama taxpayers who made a contribution to a CollegeCounts 529 account before December 31, 2024, may be eligible for a state income tax deduction up to \$10,000 for married taxpayers filing jointly if both contributed (up to \$5,000 when filing as an individual).<sup>1</sup>

Here are a few things to consider when filing your taxes to take advantage of the Alabama state income tax deduction:

- ▶ Year-to-date contributions can be found on your 4<sup>th</sup> quarter statement. We recommend verifying all contributions on your 4<sup>th</sup> quarter statement against your bank statement and online transaction history.
- ▶ Adjust for any contributions made by a third-party (**not deductible by you**).
- ▶ Only contributions received before 3pm CT, on December 31<sup>st</sup> will be included on the 4<sup>th</sup> quarter statement. Any online contributions made between 3 pm - 11:59 pm CT on December 31<sup>st</sup>, or contributions that were mailed in late December with a 2024 postmark but received in early January will show on your 1<sup>st</sup> quarter 2025 statement as a **"prior year"** contribution. We recommend reviewing any prior year contributions to make sure they are included in your tax reporting.
- ▶ The full amount of a rollover from an out-of-state 529 plan into CollegeCounts may be deductible for Alabama state income tax purposes.<sup>1,2</sup>
- ▶ In the 1<sup>st</sup> quarter of 2025, a 2024 contribution summary will be made available to account owners via their online access at **CollegeCollege529Advisor.com**.
- ▶ If you made a gift of more than \$18,000 (the 2024 annual gift tax exclusion) into a beneficiary's CollegeCounts account in 2024, we recommend speaking with your tax professional to determine if you are required to file a Form 709 Gift Tax Return to have the gift split over 5 years.

Review additional CollegeCounts tax information at **CollegeCounts529Advisor.com/Resources/Tax-Center**.

Taxpayers should discuss any tax-related questions with their tax professional for guidance and advice.

## Expecting a Tax Refund?

Consider investing a portion (or all) of your state or federal tax refund into your CollegeCounts Advisor account. To have your full refund electronically deposited to your CollegeCounts account, please use the following instructions in the **"Refund-Direct Deposit"** portion of your Alabama or federal tax returns:

**Routing Number:** 104910795

**Type of Account:** Savings

**Account Number:** 3529xxxxxxx  
(insert your CollegeCounts account number immediately following "3529")

## 2025 Gift Tax Exclusion Increase

In 2025, the IRS will increase the annual gift tax limit from \$18,000 to \$19,000. A Program Disclosure Statement Supplement with further details is included with your statement. Please review the supplement and retain it with your plan documents. For any tax-related inquiries, we recommend consulting your tax professional.



# Test Your Knowledge!

1. How much can I withdraw from a 529 account to repay my beneficiary's student loans?

- a. None
- b. \$5,000
- c. \$10,000
- d. \$15,000

2. I need to withdraw funds from my 529 account prior to when my qualified expense is due?

- TRUE     FALSE

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 FDIC, the State of Alabama, the State of Alabama Treasurer, the Board, the Trust, the Program, Union Bank and 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.

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.

<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> 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.

<sup>3</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; 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 Nonqualified Withdrawal is subject to federal income tax and 10% federal penalty tax. In addition, Alabama provides in the event of a Nonqualified 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.

## 1099-Q Tax Form

In late January 2025 a Tax Form 1099-Q will be mailed for any 2024 distributions from a CollegeCounts Advisor account. Your Tax Form 1099-Q can also be viewed online by logging into your account at [CollegeCounts529Advisor.com](http://CollegeCounts529Advisor.com) and selecting "Statements/Tax Forms".

The 1099-Q is issued to the account owner for any distributions paid directly to them. The 1099-Q is issued to the beneficiary for any distributions paid directly to the beneficiary or the college. We recommend keeping all documentation of your qualified expenses<sup>3</sup>, as well as your 1099-Q, with your tax paperwork in the event of questions when filing your taxes or an audit. Please discuss any tax-related questions with your tax professional.

Please note, a tax form is **NOT generated for contributions to your CollegeCounts account**. Please review your statements, contribution summary and bank records for contribution details for your account.

### ANSWERS

**1. Answer:** C) You can withdraw up to \$10,000 over the lifetime of the beneficiary to repay their qualified student loans. You can even repay the student loan of a sibling of the beneficiary, so long as you do not exceed \$10,000 per individual.  
**2. False!** It is our understanding that all withdrawals should take place during the same calendar year as the expense. However, you have the freedom to request those funds ahead of your expense, or to reimburse yourself after the expense has been paid. We can even send funds directly to the school on your behalf. We recommend that you keep good records of your expenses and withdrawals in case of questions or an audit.

**NOT FDIC INSURED\* / NO BANK GUARANTEE / MAY LOSE VALUE**  
(\*except the Bank Savings 529 Portfolio underlying investment)

**"Your present circumstances don't determine where you can go. They merely determine where you start."**

— Nido Qubein

