

Virginia529SM 2020 IRS Form 1099-Q Fact Sheet



If funds were withdrawn from your Virginia529SM account in 2020, tax documents providing the 2020 withdrawal information (IRS Form 1099-Q) will be mailed on or before January 31, 2021. If the withdrawal was paid directly to the beneficiary or to the beneficiary's eligible education institution, Form 1099-Q will be mailed to the beneficiary. Otherwise, Form 1099-Q will be mailed to the account owner.

As an account owner, you can access your 1099-Q online through your account. Beneficiaries can also set up their own login at Virginia529.com to view their 1099-Q online.

Tax Reporting Information

- If the funds withdrawn from your account were a non-qualified withdrawal, then the earnings portion of that withdrawal should be reported as income on your federal tax return. The 10 percent federal penalty on the earnings portion of that withdrawal is also reported, typically on a separate form. Please see the instructions for your tax return and [IRS Publication 970](#).
- If your beneficiary's qualified higher education expenses for 2020 equal or exceed your account withdrawal(s) taken during the year, then the earnings may not need to be reported on your federal tax return. Remember that you cannot use the same higher education expense to qualify for more than one federal tax benefit. For example, you may not use tax-free withdrawals from both a Virginia529 account and a Coverdell Education Savings Account for the same expense.
- Certain non-qualified withdrawals may not be subject to the federal penalty of 10 percent of the earnings. However, in any of these situations, you will still likely owe tax on the earnings portion of the withdrawal. The penalty does not apply if:
 - (i) paid on or after the beneficiary's death;
 - (ii) issued because the beneficiary is disabled;
 - (iii) included in income because the beneficiary received a tax-free scholarship or fellowship up to the same amount of the withdrawal; or
 - (iv) included in income because the expense it was used to pay (i.e., tuition) was also used to qualify for the American Opportunity Tax Credit (formerly the Hope Scholarship Credit) or Lifetime Learning credit.

Find information about tax benefits for education including examples, in [IRS Publication 970](#), also available by calling the IRS toll-free at 1-800-829-1040.

In any of these situations, although you will not be subject to the penalty, you will still likely owe tax on the earnings portion of the withdrawal.

Additional Notes

- Remember to keep appropriate documentation (copies of invoices, meal plan contracts, or textbook receipts, for example) for tax purposes.
- If you are a Virginia taxpayer, non-qualified withdrawals may require the recapture of prior Virginia income tax deductions.
- If you live outside the state of Virginia, please check with your state's tax department to determine your state's treatment of income from another state's qualified tuition program.

For more detailed information, please see the [Benefits Guide for Prepaid529](#) and the [Withdrawal Guide for Invest529](#). Please also contact your tax advisor.