

# Virginia529<sup>SM</sup> 2023 IRS Form 1099-Q Fact Sheet



If funds were withdrawn from your Virginia529<sup>SM</sup> account in 2023, tax documents providing the 2023 withdrawal information (IRS Form 1099-Q) are posted online and will also be mailed.

If the withdrawal was paid directly to the beneficiary (student) or to the student's eligible educational institution, the Form 1099-Q will be mailed to the student. Otherwise, the Form 1099-Q will be mailed to the account owner.

As an account owner, you can access your 1099-Q online through your account. Students can also set up their own online account access [Virginia529.com](https://www.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- If the funds withdrawn from your account were a non-qualified withdrawal, then the earnings portion of that withdrawal should be reported as income on your federal tax return.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](https://www.irs.gov/publications/p970).
- If your student's qualified education expenses for 2023 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 qualified education expense 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 the withdrawal was:
  - (i) paid on or after the student's death;
  - (ii) issued because the student is disabled;
  - (iii) included in income because the student 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](https://www.irs.gov/publications/p970), also available by calling the IRS toll-free at 1-800-829-1040.

In any of these situations, although you may 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.

The information below is provided as a resource to complete your tax returns and manage your account. To obtain information about your contributions to your Virginia529 account during 2023, please log in to your online account to retrieve contribution information.

### When will my Virginia529 tax statements be available?

If funds were withdrawn from your Virginia529 account in 2023, tax documents providing the 2023 withdrawal information (IRS Form 1099-Q) will be posted online and mailed in January 2024.

- If the withdrawal was paid **directly to the student** or to the **student's eligible educational institution**: the Form 1099-Q will be mailed to the student.
- If the withdrawal was paid **directly to the account owner**: the Form 1099-Q will be mailed to the account owner.

Important note: To prevent delays in receiving your Form 1099-Q, you should log in to your Virginia529 account online at [Virginia529.com](https://Virginia529.com) and verify that your address and your student's address and phone number are up to date.

### How can I access my Form 1099-Q online?

Account owners can access their Form 1099-Q in their online account at [Virginia529.com](https://Virginia529.com).

If a withdrawal was made directly to a student or the student's eligible educational institution, then the student will need to set up their online account access at [Virginia529.com](https://Virginia529.com) to view their Form 1099-Q.

### If I did not make a withdrawal in 2023, will I receive a Form 1099-Q?

No, you will only receive a Form 1099-Q if you withdrew funds from or closed your Virginia529 account. Internal rollovers, investment directions and transfers within Virginia529 will not generate a 1099-Q.

### How do I report my withdrawals?

If your student's qualified education expenses for 2023 equal or exceed your account withdrawal(s) taken during the year, then the earnings may not be subject to taxation or penalties. Remember that you cannot use the same qualified education expense 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.

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.

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 the withdrawal was: (i) paid on or after the student's death; (ii) issued because the student is disabled; (iii) included in income because the student 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.

### Are there special considerations for Virginia taxpayers?

If you are a Virginia taxpayer, non-qualified withdrawals may require the recapture of prior Virginia income tax deductions. If you live outside 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.

Find information about tax benefits for education including examples, in [IRS Publication 970](https://www.irs.gov/publications/p970), also available by calling the IRS toll-free at 1-800-829-1040. Your tax consequences depend on your individual circumstances. You should consult a tax advisor regarding specific tax consequences of taking withdrawals from your Virginia529 account(s).