

## Distribution Guide

Whether you are just starting the higher education journey or continuing it, this Distribution Guide should answer many questions about how to access your Invest529<sup>SM</sup> and/or CollegeWealth<sup>®</sup> account and how distributions are processed. This Guide also addresses federal financial aid reporting requirements as they relate to 529 accounts and many other frequently asked questions. Remember, you may always access information about your account(s) online at Virginia529.com. For complete information, refer to the Invest529 Program Description, which governs your account(s). If, after reading this Distribution Guide, you still have questions, call Virginia529 toll free at 1-888-567-0540, option 3 or email customerservice@virginia529.com.

### GETTING STARTED

#### Register/view webinars

- Visit Virginia529.com/webinars
- Select a live or archived session of “Using My Account” webinar series

#### Review/update your account information

- Visit Virginia529.com and select “My Account” to log in or establish online account access
- Review your account information and make any necessary updates
- IMPORTANT: Changing your address of record within 14 days of submitting a distribution request may delay the processing of your request

#### Request a distribution

- Log in to your account at Virginia529.com. Select “Use My Accounts” and “Request a Distribution”
- The funds you are requesting to distribute must be available and in good standing before distributions are made
- YOU determine the amount to be paid for each distribution request (limited to your available account balance)
- A new request is required each time you’d like funds from your account and for each separate payee you’d like to pay
- Distribution requests will be paid only to a school (eligible educational institution or public, private, and religious K-12 schools), account owner or beneficiary on the account
- You are responsible for making timely payments from your account to the school; Virginia529 will not notify the school you have an account
- You may be reimbursed for qualified higher education expenses that have already been paid
- For tax purposes, you are responsible for maintaining documentation of all qualified higher education expenses

**If the beneficiary is not attending school yet, you do not need to take any action.** Consult the Program Guide and appropriate Program Description for options, including maintaining the account for the current beneficiary or changing beneficiaries.

### QUALIFIED HIGHER EDUCATION EXPENSES

#### Funds may be used for any Qualified Higher Education Expenses (QHEE)

- Federal law (§ 529 of the Internal Revenue Code) requires that 529 distributions be for qualified higher education expenses (QHEE) to be tax free
- QHEE are expenses incurred by or on behalf of the designated beneficiary of the account being used to attend an eligible educational institution (EEI, defined below) or tuition at public, private, and religious K-12 schools
- Qualified higher education expenses (QHEE) include the following:
  - Tuition and fees at an eligible educational institution (EEI)

- Up to \$10,000 per beneficiary, per year for public, private, and religious K-12 tuition
  - Textbooks, supplies, and equipment required for enrollment/attendance at an EEI
  - Room and board for any academic period if the student is enrolled at least **half time** in a degree, certificate, or other program leading to a recognized educational credential at an EEI
  - Special needs services incurred in connection with enrollment or attendance at an EEI
  - NOTE: Repayment of student loans does **NOT** meet the federal definition of a QHEE

## ELIGIBLE EDUCATIONAL INSTITUTIONS (EEI)

### What is an Eligible Educational Institution (EEI)?

- Accredited post-secondary (after high school) educational institutions offering credit toward an associate's, bachelor's, graduate-level or professional degree, or another recognized post-secondary credential may be an EEI
- Must be eligible to participate in federal student financial aid programs under Title IV of the Higher Education Act of 1965 and such schools will have a **Federal School Code**
  - Search for eligible schools or school codes on the U.S. Department of Education's website, [studentaid.ed.gov/sa/fafsa](http://studentaid.ed.gov/sa/fafsa)– this includes private career or proprietary schools and foreign schools, **OR** call the U.S. Department of Education at 1-800-4-FED-AID (1-800-433-3243)
- Many certifications and technical programs are EEI, providing a wide range of options for students using a Virginia529 account
- Institutions that do not participate in federal student financial aid programs or are **not** accredited are not EEI

## DISTRIBUTIONS

### How are payments made?

- The payee (school, beneficiary or account owner) on the online distribution request determines the method Virginia529 uses to send funds
- Funds can be sent electronically or by check to the address of record

### How long does it take?

- The funds you are requesting must be in good standing to be processed
- When funds are requested prior to close of business on a business day, generally those funds are processed by the next business day however, they may take up to three business days to process
- Virginia529 may modify the settlement schedule without prior notice

## FINANCIAL AID

### Will my account impact my application for need-based financial aid?

- The value of Virginia529 accounts are included as account owner assets in calculating federal financial aid
  - If the student is a dependent, the Virginia529 account is considered an asset of the parent (whether the account owner is the parent or the student)
  - If the student is independent, the account is considered a student asset
  - Distributions to the student beneficiary from a 529 account that is owned by someone other than the parent or student (such as your grandparents, aunts, uncles, or non-custodial parent) are reported
- Inclusion of accounts owned by someone other than the student or custodial parent depends on the school
- 529 accounts should not affect receipt of merit-based financial aid (academic or athletic scholarships, for example) and do not affect eligibility for a Virginia Tuition Assistance Grant for Virginia residents
- The best resource for detailed financial aid information is your school's financial aid office

## What account value is reported on the Free Application for Federal Student Aid (FAFSA)?

- For Invest529 or CollegeWealth accounts, the account value is the current balance or market value. Account values will vary depending on changes in interest rates, market conditions and the passage of time. FAFSA requires the value as of the date you submit the form
- All 529 accounts owned (or deemed owned) by the parents or students must be reported
- Distributions to the student beneficiary from a 529 account that is owned by someone other than the parent or student (such as your grandparents, aunts, uncles, and non-custodial parent) are reported
- Access current account values for all Invest529 and/or Prepaid529 accounts online at Virginia529.com
  - Select “My Account” at the top and log in to your account
  - Select “View My Accounts,” then “Account Summary”
  - Select “All Beneficiaries” from the dropdown menu beside the “Select a Beneficiary:” option – this will provide a list of all accounts and beneficiaries and a total value of all accounts
  - If you have trouble accessing your account, call Virginia529 toll free at 1-888-567-0540 for assistance

## Scholarships and your Virginia529 account

- Scholarships may include grants awarded to students for academic, athletic, musical or other special abilities, certain tuition remission benefits for children of university employees and appointments to a United States military academy
- Scholarships do not include need-based financial aid, including student loans or work-study programs
- Virginia529 accounts may be used for QHEE not covered by a scholarship OR retained for future years, for either undergraduate or graduate school
- You may request a scholarship refund from your Virginia529 account, penalty free, up to the amount of the scholarship
  - Retain documentation of the scholarship for your tax records
  - Any gain is reported on a 1099-Q in the distribution year and taxed as ordinary income unless you have other QHEE to support the distribution
  - NCAA scholarship rules may impact 529 distributions – contact your school to discuss any interplay between your accounts and any NCAA scholarship
- See “**tax-free educational assistance**” below for more information on scholarships

## TAX INFORMATION

### Keep accurate records

- Documentation of QHEE (copies of invoices, meal plan contracts, or textbook receipts, for example) are required for tax purposes to support the tax-free treatment of Virginia529 distributions
- NO documentation is submitted with a distribution request – this should be retained in your records

### Tax treatment of distributions

- Qualified distributions – generally, distributions for QHEE are federal tax and penalty free
- Virginia taxpayers: Virginia529 distributions for QHEE are also state tax free
- Non-Virginia taxpayers: contact your state’s department of taxation for information on the tax treatment of distributions from another state’s § 529 program
- QHEE is reduced by tax-free educational assistance (including tax-free scholarships and fellowships, certain Veteran’s educational assistance, Pell grants, employer-provided educational assistance, and other tax-free payments except gifts or inheritances) to calculate “adjusted QHEE”
  - Tax-free scholarships include payments for tuition, fees, books, supplies or equipment
- Non-qualified distributions (distributions not used for QHEE) are taxable as ordinary income and, unless an exception applies, are subject to a federal penalty of 10 percent of the earnings
- Non-qualified distributions may result in the recapture of prior Virginia income tax deductions
  - Exceptions to the non-qualified distribution rules: distributions in the event of the beneficiary’s death, disability or receipt of a scholarship are NOT subject to the earnings penalty or recapture
- Virginia529 issues an IRS Form 1099-Q (Qualified Tuition Program Payments) each year in which a distribution is made
  - For distributions to the beneficiary or a school, the 1099-Q is sent to the beneficiary
  - For distributions to the account owner, the 1099-Q is sent to the account owner
  - Earnings are reported by the 1099-Q recipient if a distribution is **NOT** supported by QHEE
- The same higher education expense may not qualify for more than one tax benefit (e.g. tax-free distributions AND a federal tax credit)

## Distribution Guide

- For more information on the tax treatment of distributions see IRS Publication 970, "Tax Benefits for Education," available at [irs.gov](https://www.irs.gov) **OR** call the IRS toll free at 1-800-829-3676 **OR** consult your tax adviser

**IMPORTANT NOTICE: Individual tax situations vary greatly. Please consult a tax adviser concerning any legal or tax implications arising from opening or using your Virginia529 account. Virginia529 cannot provide legal, financial or tax advice and the information in this Distribution Guide should not be construed as such with respect to the consequences for any particular individual as a result of contributions to, investment of, or distributions from a Virginia529 account.**



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