

invest529[®]

Withdrawal Guide



Invest529[®] Withdrawal Guide

This guide should answer your questions about how to withdraw funds from your Invest529 and/or CollegeWealth[®] account. Additionally, learn about the impact of 529 accounts on scholarships, federal financial aid, tax reporting, and a number of other frequently asked questions. For more detailed information, refer to the applicable Program Description.

REQUESTING A WITHDRAWAL

Review your account information

1. Visit Virginia529.com and select **My Account** to log in or create an online user profile.
2. Select **My Profile** to access your account information and make any necessary updates.

NOTE: Changing your address or adding a new bank account when withdrawing funds will result in a slight processing delay.

Request a withdrawal

1. After logging in to your account, select **Manage My Accounts**, then **Withdraw Funds**.
2. On the **Withdraw Funds** page, select **Get Started**.
3. Select the account and purpose of the withdrawal. If selecting a purpose of "Higher Education" or "K-12 Education," enter an institution name and Student ID (if applicable).
4. Select where you want to send the funds. Funds may be sent to the account owner, beneficiary (student), or an eligible educational institution.
5. Enter an amount to withdraw and a preferred method to receive the funds (bank transfer or check).
6. Review the details and submit the request. Withdrawals are typically processed within 2-3 business days.



NOTE: You may begin using Tuition Track Portfolio (TTP) Units once they have been held for 3 or more years and the student reaches the Expected Usage Date or begins taking eligible post-secondary courses (See Program Description).

QUALIFIED EXPENSES

Funds may be used for certain qualified expenses including:

- **Higher Education:** Tuition, fees, meal plans, room and board, textbooks, computers and related equipment and any other supplies required for attendance, including special needs services.
 - The student must be enrolled for at least half the normal full-time workload to qualify for room and board or off-campus housing expenses.
- **K-12 Education:** Tuition at private, public and religious schools—up to \$10,000 per student per year.
- **Student Loan Repayment:** A lifetime maximum of \$10,000 per student toward qualified student loan repayment.
- **Registered Apprenticeship Programs:** Fees, training, supplies and other required equipment. The program must be registered and certified with the U.S. Department of Labor.



Non-qualified higher education expenses include, but are not limited to, application and testing fees, transportation costs, health insurance, extracurricular activities and tutoring.

NOTE: You may be reimbursed for qualified higher education expenses that have already been incurred. The IRS recommends taking the withdrawal in the same year the expense was paid, but there is no official rule for this requirement.

EDUCATIONAL INSTITUTIONS

Higher Education

Funds may be used at any college, university, or vocational school in the U.S. or abroad that participates in federal financial aid programs, to include undergraduate and graduate degrees, and other various certification and training programs. Search for eligible schools or school codes on the U.S. Department of Education's Federal Student Aid website, <https://studentaid.gov/>.

K-12 Education

Funds may be used for up to \$10,000 toward tuition per year at any elementary or secondary public, private or religious school as determined under applicable state law.

FINANCIAL AID AND SCHOLARSHIPS

Impact on financial aid

In most cases, when the student is a dependent and resides with the parent who owns the Virginia529 account, the value of all accounts owned are included as an asset of the account owner when calculating federal financial aid. These accounts will be assessed at a maximum of 5.64 percent of the value when calculating the Expected Family Contribution (EFC) for financial aid eligibility.



If the student is a dependent, the account will be considered a parent asset. If the student is not a dependent, the account is considered a student asset. Funds withdrawn and sent directly to the student from an account owned by someone other than the parent or the student (a grandparent, for example) are considered reportable income for the student.

NOTES:

- Some schools require additional information to determine financial aid awards. Inclusion of accounts owned by someone other than the student or custodial parent depend on the school requirements.
- The best resource for detailed financial aid information is your school's financial aid office or a college access or financial aid advisor in your area.

Completing the Free Application for Federal Student Aid (FAFSA)

In most cases, all Virginia529 accounts owned by the custodial parents and students must be reported, including accounts for a different student.

FAFSA requires the total account value as of the date you submit the form. Access your total account value online at Virginia529.com by following the steps below.

1. Visit Virginia529.com and select **My Account** to log in or create an online user profile.
2. After logging in, scroll down to the **Account Summary** section. The total value of your accounts can be found at the bottom.

Scholarships and your Virginia529 account

529 accounts should not affect receipt of merit-based financial aid, like academic or athletic scholarships, and may be used to pay for qualified expenses not covered by a scholarship or retained for future years, for either undergraduate or graduate school. A scholarship refund may also be requested from your Virginia529 account, penalty-free, up to the amount of the scholarship.

NCAA scholarship rules may impact 529 withdrawals – contact your school to discuss any interplay between your accounts and any NCAA scholarship.

NOTE: 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 U.S. military academy. Scholarships do not include need-based financial aid, including student loans or work-study programs.

TAX INFORMATION

Keep accurate records

You are responsible for maintaining documentation of all qualified higher education expenses. No documentation is required to be submitted with a withdrawal request, but should still be retained for your records and tax purposes. This includes copies of tuition invoices, meal plan contracts, documentation of rent if living off campus, receipts for textbooks and other qualified expenses.



Tax treatment of withdrawals

Earnings on Virginia529 accounts grow free from federal and Virginia state taxes (for Virginia state taxpayers) and are excluded for income tax purposes when funds are used to pay qualified higher education expenses.

Non-qualified withdrawals

The earnings portion of non-qualified withdrawals are taxable as ordinary income and, unless an exception applies, are subject to a federal penalty of 10 percent. Non-qualified withdrawals may result in the recapture of prior Virginia income tax deductions for Virginia taxpayers. Non-Virginia taxpayers should contact their state's department of taxation for more information.

Exceptions to the non-qualified withdrawal rules include the investment earnings of a withdrawal made due to the student's death, disability or receipt of a scholarship. Exceptions are not subject to the 10 percent penalty or recapture of income tax deductions, but the earnings portion is taxed as ordinary income.

Reporting withdrawals in your tax returns

It's not required to report withdrawals used for qualified higher education expenses on your federal tax return. Virginia529 will issue an IRS Form 1099-Q (Qualified Tuition Program Payments) each year in which a withdrawal is made.

- For withdrawals made payable to the student or a school, the 1099-Q is sent to the student. A digital copy can be accessed through your online account.
- For withdrawals made payable to the account owner, the 1099-Q is sent to the account owner. The student may also create an online user profile to view a digital copy. Note: Account owners **will not** be able to view the digital copy in their online account; it is only available in the student's online account.
- Non-qualified withdrawals will incur a 10 percent penalty on the earnings portion of that non-qualified withdrawal and should be reported as income by the 1099-Q recipient.

The same qualified higher education expense may not qualify for more than one tax benefit (e.g. tax-free withdrawals AND a federal tax credit).

NOTE: For more information on the tax treatment of withdrawals see IRS Publication 970, "Tax Benefits for Education," available at [irs.gov](https://www.irs.gov). You may also call the IRS 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 Withdrawal 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 withdrawals from a Virginia529 account.

ADDITIONAL RESOURCES

Live and on-demand videos

- Visit Smart Savers Academy at Virginia529.com/learn/tutorials
- Register for a live webinar or view an on-demand video

Helpful articles

- Visit Virginia529.com/blog
- Read various articles on education savings, account updates and other news

Read the Program Description

- Visit Virginia529.com/resources/documents
- Download or view a copy of the Invest529 or CollegeWealth Program Description