

# Investment Change and 529 Tax Law Changes

January 2018

Here are several important Plan updates:

## 1. **Removal of Vanguard Intermediate-Term Bond Index 529 Portfolio**

CollegeCounts provides ongoing monitoring and due diligence for the investment options offered in the plan. Based on that process, the Vanguard Intermediate-Term Bond Index 529 Portfolio will be removed as an Individual Fund Portfolio on February 6, 2018. Current assets invested in the portfolio as well as any future contributions will be transferred to the Vanguard Total Bond Market Index 529 Portfolio. The Vanguard Intermediate-Term Bond Index is only offered as an Individual Fund option, so this change does not impact the Age-Based or Target Portfolios. The removal of the Vanguard Intermediate-Term Bond Index 529 Portfolio will be an automatic change with no action required by Account Owners. Changes made by the plan should not be considered an investment option change for Federal tax purposes. Currently, the IRS allows two investment option changes every calendar year or upon the change of an account beneficiary. If an Account Owner would like to elect a different investment option prior to the automatic change on February 6, 2018, they have the option to utilize a 2018 investment option change for their account. **Please review the [Program Disclosure Statement](#) Supplement for additional information.**

## 2. The tax reform bill signed into law on December 22, 2017 includes several provisions related to 529 plans. The provisions are:

### ○ **Expanded Qualified Higher Education Expenses**

Section 529 of the Internal Revenue Code of 1986, as amended (the “Code”), has expanded, for distributions made after December 31, 2017, the definition of qualified higher education expenses to include expenses for tuition in connection with the enrollment or attendance at an elementary or secondary public, private or religious school. However, the Alabama statute establishing the Plan does not permit such distributions and will need to be modified to permit such distributions. In the event that the Alabama statute in the future authorizes such distributions, the Plan and this Program Disclosure Statement will be further supplemented. In the event the Alabama statute is modified to permit such distributions, such distributions from all qualified tuition programs with respect to a beneficiary during any taxable year shall, in the aggregate, not include more than \$10,000 in expenses for such tuition incurred during the taxable year in connection with the enrollment or attendance of the beneficiary at an elementary or secondary public, private or religious school. You should always consult with your tax advisor regarding your individual situation.

### ○ **Rollovers to ABLE Programs from CollegeCounts**

Effective for periods prior to January 1, 2026, you may direct a transfer of money

from your Account to an ABLE account (as defined in section 529A(e)(6)) of the Beneficiary or a member of the family of the accounts Beneficiary, subject to the contribution limits for ABLE accounts. Such amounts would count towards the overall limitations on contributions to an ABLE account within a tax year, and any excess amount would be included in the distributee's gross income as provided under Section 72 of the Code. You should consult with your tax advisor as to the effect for federal and Alabama income tax purposes of a proposed rollover to an ABLE account.

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