529 Quarterly
Fourth Quarter 2021
brightdirections
Advisor-Guided 529 College Savings

529 Quarterly

Tax Filing Reminders

It's never too early to start prepping for tax day. Maximize your available tax savings by reviewing the following, as applicable:

Schedule M (IL-1040)

Review the 2021 Schedule M (IL-1040) for filing and reporting instructions to deduct 2021 contributions from your Illinois taxable income. Log in to your account at **BrightDirections.com** to see all the contributions you made this year.

Contributions by Account Owner

Individuals who file an Illinois state income tax return are eligible to deduct contributions they made to Bright Directions up to:

- $10,000 per tax year
- $20,000 if married filing a joint return[1]

Contributions by Others (Non-Account Owners)

If you made a gift contribution to a Bright Directions account that you do not own, be sure to include the **account number, contribution amount,** and check the box in **column c: gift** on Schedule M (IL-1040). If you do not have the account number for a gift contribution, attach a copy of the canceled check and the name and address of the Bright Directions account owner.

Rollover Contributions into Bright Directions

The Illinois Administrative Code provides that in the case of a rollover from a non-Illinois qualified tuition program, the amount of the rollover that constituted investment in the prior qualified tuition program for federal income tax purposes (but not the earnings portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes, subject to the deduction limits discussed above[2]. You should consult your tax or legal advisor about the availability of such deduction.

Where can I find my 2021 Contributions?

1. Review your quarterly statements for 2021
   a. Your 4th quarter 2021 statement has year-to-date contributions (reported on a cash basis)*
2. Log in and review your 2021 transactions at **BrightDirections.com***
3. Review your bank account from where the contributions came from
4. Log in to your account and click on Statement & Confirms to review your Contributions Summary (with your quarterly account statements).

***Important note** if you made a contribution in late December 2021 (and it was postmarked in 2021) but Bright Directions did not receive it until January 2022, it will be coded as a "prior year" contribution and should be included by you as a 2021 contribution for Illinois tax deduction purposes. Likewise, if you contributed in late December 2020 and the contribution was not received until January 2021, it will also reflect on your quarterly statement as a "prior year" contribution and you should have included it as a 2020 contribution for Illinois tax deduction purposes.

IRS Form 1099-Q

For qualified withdrawals[3], whomever the check was payable to — whether it's the account owner or the beneficiary — will receive IRS Form 1099-Q in the mail (mailed by January 31). The beneficiary will also receive the 1099-Q for any checks written to the college. Be sure to review the proper tax reporting with your tax professional.

IRS Form 709

Discuss any IRS Form 709 filing requests with your tax professional if you made a large gift of $15,000, or more, to a beneficiary.

2021 Updates

There are some important changes you'll want to be aware of heading into tax day. Here's what's new:

- The maximum account balance has increased from $450,000 to $500,000
- The annual exclusion has increased from $15,000 per donee to $16,000

For more tax information, visit the Tax Center at BrightDirections.com/tax-center. If you have questions, reach out to your tax professional for more information.

Saving vs. Borrowing

The more you save for college, the less your student has to borrow. Consider starting or increasing automatic contributions today.

$30,000
Average student debt in 2021

Students who owe at least this much are:

36% less likely
to purchase a car or house

Settling for lower-paying jobs
so they can start loan payments right away

In the long run, saving more now for college with your Bright Directions account can be less expensive than borrowing. That means on graduation day, students can breathe a sigh of relief knowing a significant portion of their first paycheck isn't going to loans. And parents can have a sense of pride that their student is becoming more independent.

5 New Year's Resolutions for Your 529

1. Talk to your advisor about an automatic investment plan. The new year is a perfect time to start one or to increase your current one. Contributing regularly is a great way to keep your savings growing.
2. Reassess your savings goals. Focused, well-defined goals are more likely to be achieved.
3. Invite family and friends to invest in your child's Bright Directions account with GiftED.
4. Evaluate your investment strategy, and how often/how much you contribute.
5. Give back. If you have friends or family with a 529 account, make a contribution of your own when a birthday or graduation comes around.

[1]An individual who files an individual Illinois state income tax return will be able to deduct up to $10,000 per tax year (up to $20,000 for married taxpayers filing a joint Illinois state income tax return) for their total, combined contributions to the Bright Directions Advisor-Guided 529 College Savings Program, the Bright Start Direct-Sold College Savings Program, and College Illinois during that tax year. The $10,000 (individual) and $20,000 (joint) limit on deductions will apply to total contributions made without regard to whether the contributions are made to a single account or more than one account. The amount of any deduction previously taken for Illinois income tax purposes is added back to Illinois taxable income in the event an Account Owner takes a Nonqualified Withdrawal from an Account or if such assets are rolled over to a non-Illinois 529 plan. If Illinois tax rates have increased since the original contribution, the additional tax liability may exceed the tax savings from the deduction.

[2]The Illinois Administrative Code provides that in the case of a rollover from a non-Illinois qualified tuition program, the amount of the rollover that is treated as a return of the original contribution to the prior qualified tuition program (but not the earnings portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes.

[3]Withdrawals used to pay for Illinois Qualified Expenses are free from federal and Illinois state income tax. Illinois Qualified Expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance; certain room and board expenses incurred by students who are enrolled at least half-time; the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution; certain expenses for special needs services needed by a special needs beneficiary; apprenticeship program expenses; and, repayment of up to $10,000 of qualified education loans.

Illinois Qualified Expenses do not include expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school. The amount of any deduction previously taken for Illinois income tax purposes is subject to recapture in the event an Account Owner takes a Nonqualified Withdrawal or Illinois Nonqualified Withdrawal from an Account or if such assets are rolled over to a non-Illinois 529 plan.