



## Final Tax Reminders

April 15th is right around the corner. The following are some final reminders as you wrap up your 2015 tax filings (Note: April 18, 2016 due date for 2015).

Don't forget to report your 2015 contributions to Bright Directions in order to take advantage of the Illinois state income tax deduction. Contributions postmarked on or before December 31st can be deducted up to \$10,000 for individuals or up to \$20,000 if married and filing jointly. Any contributions postmarked in 2015 but invested in January will appear on your enclosed 1st Quarter 2016 statement as a "Prior Year Contribution". Don't forget to include those "Prior Year Contributions" for 2015 tax deduction purposes.

Keep in mind that contributions to Bright Directions don't generate any tax forms for the Illinois state income tax deduction – simply report your total contributions on Illinois Schedule M, Line 12c.

Make sure to inform your tax professional if you elected to make a large gift in 2015 (typically over \$14,000 for individuals or \$28,000 for married couples). If you took advantage of the special 5-year front-loading gift election allowed for 529 plans, you are typically required to file Form 709 to have a large gift to a 529 account split over a 5 year period. The deadline for filing is April 18, 2016. We recommend you visit with your tax professional to obtain additional information or advice on any special filings that may be required.

If you will be receiving a 2015 tax refund, you can direct that all or a portion of the refund be invested in your Bright Directions account. Visit the "Tax Center" on [BrightDirections.com](http://BrightDirections.com) and select the "Invest Your Tax Refund" link for more information and instructions.

Additional tax information can be found in the 4th Quarter 2015 Newsletter and the Tax Center at [BrightDirections.com](http://BrightDirections.com). Be sure to check with your tax professional for more information or advice regarding the tax reporting and benefits of investing with Bright Directions.

## 2015 Withdrawal Reporting

In January, Bright Directions mailed IRS Form 1099-Q to the recipient of any withdrawals requested in 2015. If the withdrawal was payable to the Account Owner, the Owner would have received the 1099-Q. For any withdrawals payable to the Beneficiary or a school, the Beneficiary would have received the 1099-Q. We recommend that you discuss any withdrawal reporting requirements with your tax professional. We also recommend that you retain all documentation of your qualified higher education expenses with your tax paperwork.



## Bright Directions Gets New Look!

We are excited to debut our new Bright Directions logo and colors this quarter! After 2 major enhancements to the program last fall, we wanted to update our look. First, we were thrilled to receive a best-in-class Silver rating from Morningstar in October, which is the highest rating Morningstar gives to Advisor-sold 529 plans. Morningstar awarded Bright Directions the Silver rating based on the overall structure of the program, the exceptional line-up of investment options, and the generous Illinois tax benefits for the plan.

The other enhancement to Bright Directions was the announcement last November of the lower fees for the program. Morningstar also recognized that the lower fees were a great benefit to Bright Directions investors – the fee reductions mean more dollars that are saved for your beneficiary's future education expenses. We're committed to offering you an excellent value for your college savings dollar.

## Bright Directions E-Statements

Do you prefer to receive account statements and communications electronically? Sign up for E-Delivery of your Quarterly Statements and program disclosure documents after logging into your account online at [BrightDirections.com](http://BrightDirections.com). We offer a fast, easy and secure way to obtain your statements.



# Important 529 Tax Law Changes

As previously communicated with your December 31, 2015 quarterly account statement and on the Bright Directions web site – several changes to the rules governing 529 plans were enacted in late December 2015. The IRS has now provided additional guidance regarding the “Computation of Earnings” for 2015 tax reporting purposes. The changes described below are effective as of January 1, 2015.

**Computation of Earnings** - multiple accounts with the same account owner and beneficiary are no longer required to be aggregated for tax reporting purposes. This change impacts how the earnings portion of a distribution is calculated, and how the 1099-Q reports such information.

For calendar year 2015, the Treasury Department and the IRS are providing transition relief for the computation of earnings in connection with distributions from 529 accounts. Based on this relief, Bright Directions and many other 529 plans, calculated and reported the earnings in connection with distributions for 2015 on an aggregated basis.

If you are an account owner (i) with multiple accounts in Bright Directions or in Bright Directions and Bright Start, (ii) for the same beneficiary (iii) who had a withdrawal from one or more of those accounts in 2015 (iv) which was includible in the gross income of the distributee, and you would prefer to have earnings computed for 2015 without aggregation, you may request a revised 2015 Form 1099-Q from Bright Directions.

Please be aware that a request for a corrected 2015 Form 1099-Q does not extend the due date for filing individual income tax returns for 2015.

**Qualified Expenses Expanded** - effective for taxable years beginning after December 31, 2014, the definition of qualified higher education expenses is expanded to include: expenses for the purchase of any computer and any related peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution.

**Special Rule for Contributions of Refunded Amounts** - refunds of any qualified higher education expenses from an eligible educational institution are excludible from gross income if recontributed within 60 days (after the date of such refund) back into the 529 account. This provision is effective with respect to refunds of qualified higher education expenses after December 31, 2014 but only to the extent that such refunds are re-contributed to a qualified tuition program within 60 days of the date of the refund, or within 60 days of December 18, 2015, whichever is later. Thus, amounts refunded in 2015 before December 18, 2015, needed to be recontributed no later than February 16, 2016.

Please be sure and review the applicability of each of these changes with your tax professional.

The Bright Directions College Savings Program is part of the Illinois College Savings Pool and is designed to qualify as a qualified tuition program under the provisions of Section 529 of the Internal Revenue Code. The Bright Directions College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank & Trust Company serves as Program Manager, and Northern Trust Securities, Inc., acts as Distributor. Investments in the Bright Directions College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank & Trust Company, Northern Trust Securities, Inc., the Federal Deposit Insurance Corporation, or any other entity.

<sup>1</sup>Individuals who file individual Illinois state income tax returns can deduct up to \$10,000 per tax year (\$20,000 if filing jointly) for their total, combined contributions to the Bright Directions College Savings Program, the Bright Start College Savings Program, and Collegellinois! 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 subject to recapture 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.

**Investors should read carefully and consider the investment objectives, risks, fees, and expenses contained in the Program Disclosure Statement (issuer's official statement) before investing. You can lose money by investing in a Portfolio. Each of the Portfolios involves investment risks, which are described in the Program Disclosure Statement. The Program Disclosure Statement, which contains additional information about the plan and municipal fund securities, is available online at [BrightDirections.com](http://BrightDirections.com) or from your financial advisor.**

**You should consider, before investing, whether your home state or the designated beneficiary's home state offers any state tax deduction or other benefits that are only available for investments in such state's qualified tuition program. You should consult with a tax advisor about state and local taxes.**

Not FDIC Insured / No Bank Guarantee / May Lose Value

[BrightDirections.com](http://BrightDirections.com)



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