



2015 IRS Form 1099-Q Fact Sheet

If there was a distribution from your Virginia529 account in 2015, Virginia529 will issue an IRS Form 1099-Q for your account. If the distribution was made directly to the beneficiary or to a school, the 1099-Q must be sent to the beneficiary; all other 1099-Qs will be sent to the account owner.

Tax Reporting Information

- If you have a non-qualified distribution from your Virginia529 account, you must report the earnings portion on your tax return. The 10 percent federal penalty on the earnings is also reported, typically on a separate form. Please see the instructions for your tax return and [IRS Publication 970](#).
- If your beneficiary's qualified higher education expenses for 2015 equal or exceed your Virginia529 account distribution(s) taken during 2015, you do not need to report the earnings on your federal tax return. Remember that you cannot use the same higher education expense to qualify for more than one federal tax benefit. For example, you may not use tax-free distributions from both a Virginia529 account and a Coverdell Education Savings Account for the same expense.
- Certain non-qualified distributions will not be subject to the federal penalty of 10 percent of the earnings. The penalty does not apply if:
 - (i) the distribution was paid on or after the beneficiary's death;
 - (ii) the distribution was made because the beneficiary is disabled;
 - (iii) the distribution is included in income because the beneficiary received a tax-free scholarship or fellowship up to the same amount of the distribution; or
 - (iv) the distribution is included in income because the expense it was used to pay (i.e., tuition) was also used to qualify for the American Opportunity Tax Credit (formerly the Hope Scholarship Credit) or Lifetime Learning tax credits.

In any of these situations, although you will not be subject to the penalty, you will still likely owe tax on the earnings portion of the distribution.

Additional Notes

- Remember to keep appropriate documentation (copies of invoices, meal plan contracts, or textbook receipts, for example) for tax purposes.
- If you live in a state other than Virginia, please check with your state's tax department to determine your state's treatment of income from another state's qualified tuition program.
- If your 1099-Q reflects a loss, you may normally only deduct this loss as a miscellaneous itemized deduction (subject to the two percent of federal adjusted gross income threshold) in the tax year when all of your inVEST, CollegeWealth and CollegeAmerica accounts for the same beneficiary have been completely depleted. Loss reporting does not apply to prePAID accounts.

Find information about tax benefits for education including examples in [IRS Publication 970](#), also available by calling toll-free 1-800-829-1040.

For more detailed information, please see the benefits guides for [prePAID](#) and [inVEST](#). Please also contact your tax advisor.