



IRS Form 1099-Q Frequently Asked Questions

1) Why am I receiving a 1099-Q?

If there was a distribution from your Virginia529 account in 2015, an IRS Form 1099-Q will be issued for your account.

2) Why was the 1099-Q issued in the name of the beneficiary?

If the distribution from your Virginia529 account was made directly to the beneficiary or to a school, then the 1099-Q must be issued in the name of and sent to the beneficiary.

3) Am I required to report this information on my tax return?

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. Please refer to [IRS Publication 970](#), Tax Benefits for Education, for examples and additional information.

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

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](#), Tax Benefits for Education, or contact your tax advisor for additional information.

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.