

# Bright Start Planner

Fourth Quarter 2022



## Tax Season: When It Pays to Save

What is one of the best perks of your Bright Start account? Yearly tax breaks. Account owners who file an Illinois state income tax return are eligible to deduct contributions they made to Bright Start: up to \$10,000 per tax year as an individual or \$20,000 if married and filing jointly.<sup>1</sup>

Maximize your available savings by preparing for tax season with our 2022 Prep Checklist:



### ✓ Gather Forms

#### ☐ Schedule M (IL-1040)

Review 2022 Schedule M for filing and reporting instructions to deduct 2022 contributions from your Illinois taxable income.

#### ☐ IRS Form 1099-Q

If you took a withdrawal in 2022,<sup>3</sup> 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 payable to the college.

#### ☐ IRS Form 709

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

### ✓ Review Your Contributions

#### ☐ Find Your 2022 Deposits

Double-check your contributions between your account statements and online transaction history. Review your:

1. Fourth quarter 2022 statement to see your year-to-date contributions (reported on a cash basis).
2. Bright Start account online to review your 2022 transactions.
3. Bank account transactions for your Bright Start contributions in 2022.
4. Bright Start Contributions Summary posted online mid-February located with your quarterly account statements.

Your statement will be posted online several weeks after quarter end. You can easily view Bright Start statements by logging in at [BrightStart.com](http://BrightStart.com) and selecting "Statements and Tax Forms" on the left side menu to view your contributions

### ✓ Max Out Your Savings

#### ☐ Report Deposits Made as a Non-Account Owner

If you contributed to a Bright Start account you do not own, 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 Start account owner.

#### ☐ Rollover Funds to Bright Start

Did you transfer money from a non-Illinois qualified tuition program into your Bright Start account? You could be eligible for a deduction for Illinois individual income tax purposes.<sup>2</sup> Generally, the portion of the rollover that represented contributions to the out-of-state 529 plan is deductible up to the Illinois \$10,000/\$20,000 tax deduction max.<sup>1</sup>

#### TAXES

If you have questions about your 529 plan when filing your taxes, visit [BrightStart.com/tax-center](http://BrightStart.com/tax-center) or reach out to your tax professional.



## The Cost of College: Is Your Saving on Track?

According to 2022 data from U.S. News, college costs have risen by more than 134% over the last 20 years with tuitions soaring as high as \$44,000/year.

See if what you're saving is keeping you on pace based on your student's current age. Visit our college savings calculator at [BrightStart.com/cost-of-college](https://BrightStart.com/cost-of-college).

### YOU HEARD IT HERE

"When you plan to save, it allows your kids the power to choose. ... So, if a child says, 'Oh, I want to be a doctor,' or 'I want to be an artist,' if the money's not there at all, there's certain choices that just vanish because they cost a certain amount of money. ... Saving for college gives them the chance to have a choice."

Sagar Deo / Elmhurst, IL

See what other Bright Start families have to say about the power of saving at [BrightStart.com/customers-stories](https://BrightStart.com/customers-stories).



### Check Your 529 IQ

Time to put your college savings knowledge to the test. Take our 529 IQ quiz through the QR code and see how you stack up with fellow Bright Start savers.

### Q. True or False?

A Bright Start account can only be used to pay for higher education in Illinois.



The Bright Start Direct-Sold College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank and Trust Company serves as Program Manager. Balances in your Bright Start account are not guaranteed or insured by Bright Start, the State of Illinois, the Illinois State Treasurer, any other state or federal agency, Union Bank and Trust Company or any of its affiliates, the Federal Deposit Insurance Corporation (except as provided in the Program Disclosure Statement solely with respect to the FDIC-insured Bank Savings Underlying Investment), or any other entity.

An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Start Direct-Sold College Savings Program Disclosure Statement, which can be obtained at [BrightStart.com](https://BrightStart.com) and should be read carefully 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.

Before you invest, consider whether you or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

<sup>1</sup>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, 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.

<sup>2</sup>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.

<sup>3</sup>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. 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.