



# from the NEST

## IN THIS ISSUE

How Contributions and Deductions Work

What is a Nebraska Non-Qualified Withdrawal?

Withdrawals and Form 1099-Q

What You Need to Know About the Gift Tax

“Why I Want to Go to College” Writing Contest

The Meadowlark Program

New and Improved NEST529.com

## ➤ Onwards and upwards.

### A MESSAGE FROM THE NEBRASKA STATE TREASURER

How did you ring in the new year? Here at NEST 529, we sent out 2020 in a big way. First, we received some exciting news: The NEST Direct College Savings Plan received an upgraded Bronze rating from Morningstar,\* an independent financial research organization. What does that mean for you? You can feel confident your savings are working harder than ever for the future. Next, we completed our transition to the new program manager — and new investment options. Remember, your NEST investments were automatically transitioned, so those are taken care of. But I want to share a couple of friendly reminders for what you can do next:



- **Establish New Credentials**

First, you'll need to know your account number, which can be found on your latest quarterly statement. Once you have it, visit **NEST529.com**, click “Log In” (upper right-hand corner of the home page), and follow the on-screen prompts.

- **Review Welcome/Confirmation Letter and Program Disclosure Statement**

In late October, we mailed (or emailed, based on your delivery preference) you a Transition Guide, and recently a new Program Disclosure Statement detailing the exciting enhancements to NEST 529, like our new program manager and investment choices. Please review both of the pieces, along with the Welcome/Confirmation Letter you recently received, and head online for more details about the enhanced Plan.

As always, we're here to help! If you have any questions during this time, please contact our customer care line or visit **NEST529.com**.



**Set them up to soar.**

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## ► Tax season is on the horizon.

### HOW CONTRIBUTIONS AND DEDUCTIONS WORK

Did you, as an account owner, parent/guardian, or custodian of an UGMA/UTMA account, make contributions in 2020 to one or more college savings accounts under the Nebraska Educational Savings Plan Trust? Then at tax time, enter the amount of your contributions, up to a maximum of \$10,000 (\$5,000 if married, filing separately)<sup>1</sup>, on Line 16 of the Nebraska Form 1040N Schedule I.

Only the account owner, parent/guardian, or custodian of an UGMA/UTMA account who made the contributions may claim this deduction. You cannot deduct contributions made to other states' 529 college savings plans on Line 16. However, if an account in another state's plan is rolled over to a Plan in the Nebraska Educational Savings Plan Trust, the amount received in a qualified rollover, up to a maximum of \$10,000 (\$5,000 if married, filing separately), is eligible for the deduction.

Withdrawals for K-12 Tuition Expenses, Apprenticeship Program Expenses, and Qualified Education Loan Payments are Nebraska Non-Qualified Withdrawals. Nebraska state tax deductions are subject to recapture if the account owner cancels a Participation Agreement, makes a partial or complete Nebraska Non-Qualified Withdrawal, or rolls assets to an out-of-state 529 qualified tuition program or ABLE program. The earnings portion of a Nebraska Non-Qualified Withdrawal is also subject to Nebraska state income tax.

### WHAT IS A NEBRASKA NON-QUALIFIED WITHDRAWAL?

Nebraska law does **not** treat the following Federal Qualified Higher Education Expenses as Nebraska Qualified Expenses:

- K-12 Tuition Expenses;
- Apprenticeship Program Expenses; and
- Qualified Education Loan Payments.

If a withdrawal is made for such purposes, although it is a Federal Qualified Withdrawal, it will be treated as a Nebraska Non-Qualified Withdrawal and may result in the recapture of a previously claimed Nebraska state income tax deduction, and the earnings portion will be subject to Nebraska state income tax.



## Don't let this scholarship fly by.

### "WHY I WANT TO GO TO COLLEGE" WRITING CONTEST

In this competition, open to seventh and eighth graders nationwide, we encourage students to tell us all about their dreams for the future. NEST will award winners with scholarship contributions of up to \$2,000. Visit [NEST529.com/scholarships-and-contests](https://www.nest529.com/scholarships-and-contests) for details.

## WITHDRAWALS AND FORM 1099-Q

If you requested a withdrawal from your account in 2020, we'll be sending Form 1099-Q by the end of January. The 1099-Q is an IRS tax form showing the total amount of all withdrawals requested to the same payee as well as the principal and earnings portions of those withdrawals.<sup>2</sup> The account owner will receive the 1099-Q if the check was payable to the account owner. The beneficiary receives the 1099-Q for any withdrawals paid to the beneficiary or to the school. Generally, a withdrawal for qualified higher education expenses will be tax-free and not taxable. However, with various education tax credits and deductions, this may vary based on each individual's unique tax situation. Please review the proper tax reporting with your tax professional. **We recommend you keep the receipts and documentation of your college expenses with your tax paperwork in the event there are any questions about the amount you have withdrawn. You should discuss any tax reporting requirements with your tax professional.**

### IF YOU MADE A WITHDRAWAL IN 2020

Watch for your Form 1099-Q, arriving by early February.

## WHAT YOU NEED TO KNOW ABOUT THE GIFT TAX

The current gift tax annual exclusion is \$15,000 per year (\$30,000 for a married couple electing to split gifts).

If your total contributions to accounts for a beneficiary in a single year exceed the annual exclusion for such year, you may elect to treat contributions, up to five times the annual exclusion, as having been made ratably over a five-year period. Consequently, a single donor may contribute up to \$75,000 in a single year without incurring federal gift tax, so long as they make no other gifts to the same beneficiary during the calendar year in which the contribution is made or any of the next four calendar years.

**An election to have the contribution taken into account ratably over a five-year period must be made by the donor on a United States Gift Tax Return Form 709.**

If you've made any large gifts in 2020, please consult your tax advisor, attorney, or other advisor regarding any tax filing requirements.

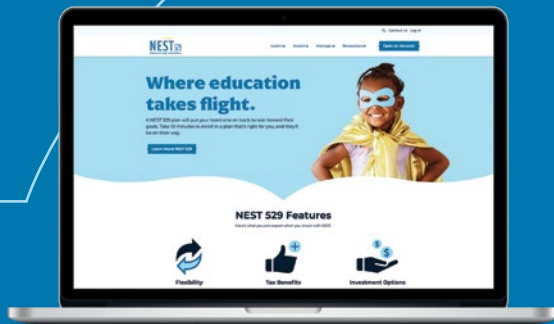


## THE Meadowlark Program

**Something big is on the way.**

### GREAT NEWS FOR NEBRASKA BABIES

If you added a new baby to your family (congratulations!) on or after January 1, 2020, you'll be excited to hear how the State of Nebraska is supporting your college savings goals. Be on the lookout for news about the Meadowlark Program this spring.



## Notice anything new?

### VISIT THE NEW AND IMPROVED NEST529.COM

With the transition to a new program manager comes a few other updates, too — like sprucing up our website. Even though it looks different now, you can still use it to find all the information you need about investing with NEST. Head to the new **NEST529.com** today and start exploring.

**An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. This and other important information is contained in the fund prospectuses and the NEST Direct College Savings Plan Program Disclosure Statement (issuer's official statement), which can be obtained at NEST529.com and should be read carefully before investing. You can lose money by investing in an Investment Option. Each of the Investment Options involves investment risks, which are described in the Program Disclosure Statement.**

**An investor should consider, before investing, whether the investor's or 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 such state's 529 plan. Investors should consult their tax advisor, attorney, and/or other advisor regarding their specific legal, investment, or tax situation.**

The NEST Direct College Savings Plan (the "Plan") is sponsored by the State of Nebraska, administered by the Nebraska State Treasurer, and the Nebraska Investment Council provides investment oversight. Union Bank & Trust serves as Program Manager for the Plan. The Plan offers a series of Investment Options within the Nebraska Educational Savings Plan Trust (the "Trust"), which offers other Investment Options not affiliated with the Plan. The Plan is intended to operate as a qualified tuition program.

Except for any investments made by a Plan participant in the Bank Savings Static Investment Option up to the limit provided by Federal Deposit Insurance Corporation ("FDIC") insurance, neither the principal contributed to an account, nor earnings thereon, are guaranteed or insured by the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council, the Trust, the Plan, any other state, any agency or instrumentality thereof, Union Bank & Trust Company, the FDIC, or any other entity. Investment returns are not guaranteed. Account owners in the Plan assume all investment risk, including the potential loss of principal.

<sup>1</sup>Account owners may deduct for Nebraska income tax purposes contributions they make to their own account (and any other accounts they own in the Nebraska Educational Savings Plan Trust) up to an overall maximum of \$10,000 (\$5,000 if married, filing separately). Contributions in excess of \$10,000 cannot be carried over to a future year. For a minor-owned or UGMA/UTMA 529 account, the minor is considered the account owner for Nebraska state income tax deduction purposes. The minor must file a Nebraska tax return for the year their contributions are made to be eligible for a tax deduction for their own contributions. In the case of a UGMA/UTMA 529 account, contributions by the parent/guardian listed as the Custodian on the UGMA/UTMA Plan account are also eligible for a Nebraska state tax deduction.

<sup>2</sup>Withdrawals used to pay for a beneficiary's qualified higher education expenses are exempt from federal and Nebraska state income tax. However, earnings on all other types of withdrawals are generally subject to federal and Nebraska state income taxes and an additional 10% federal tax. In addition, Nebraska state income tax deductions may be subject to recapture in certain circumstances, such as rollovers to another state's 529 plan or to an ABL program not issued by the State of Nebraska; cancellation of a participation agreement; and making a non-qualified withdrawal (including a withdrawal used to pay K-12 tuition, registered apprentice program expenses, or make qualified education loan repayments). Please consult your tax professional about your particular situation.

<sup>3</sup>Morningstar analyzed and rated 61 plans nationwide. The NEST Direct College Savings Plan earned a Bronze rating. Analyst ratings for 529 college savings plans consider: Process, People, Parent, and Price. Based on their conclusions, analysts will assign pillar scores. Morningstar analysts retain discretion to override scores if they believe a unique characteristic justifies a different rating than the score suggests. The Morningstar Analyst Rating™ is a subjective evaluation and is not a credit or risk rating. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. ©2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

**Not FDIC Insured\* / No Bank Guarantee / May Lose Value**

(\*Except the Bank Savings Static Investment Option Underlying Investment)



**UBT**  
Union Bank & Trust  
Program Manager