

FAQ's

- How does the match work

When eligible K.I.D.S .participants open a Learning Quest account and contribute at least \$100 and up to \$600 this year, the state will match your contributions next January. Applications and contributions must be postmarked by December 31st this year. The funds are invested until you need them for qualified higher education expenses.

- What is Learning Quest?

The K.I.D.S. program uses the Learning Quest 529 Education Savings Plan to invest your contributions and the state's match. Learning Quest is part of the Kansas Postsecondary Education Savings Program administered by Kansas State Treasurer Dennis McKinney with investment management by American Century investments.

- What is a 529 plan?

"529" refers to Section 529 of the I.R.S. code that provides tax incentives for higher education savings accounts.

- What are the tax advantages of a 529 account?

Earnings in a 529 account grow tax deferred and can be withdrawn tax free when they are used for qualified higher education expenses. The earnings portion of nonqualified withdraws are subject to federal income tax with an additional 10% of earnings penalty. Kansas taxpayers also receive a deduction on their Kansas tax return for contributions of up to \$3,000 for single filers or \$6,000 for joint filers for each beneficiary. If you take a nonqualified withdrawal, you also have to repay any Kansas income tax deduction that was taken when the funds were contributed. See the Learning Quest Handbook for additional information about tax treatment of your account.

https://www.learningquestsavings.com/learningquest/pdf/handbook_ws.pdf

- What are qualified higher education expenses

Qualified higher education expenses include: tuition, books, fees, and room and board if your student is at least a ½ time student. Students can attend any four year college or university, as well as any community college, technical or vocational school that is accredited and eligible to receive federal student financial aid. For tax years 2009 and 2010 a computer considered a qualified higher education expense.

- How are the funds invested?

The matching grant funds are invested in the same Learning Quest portfolio that you choose for your investment. Learning Quest includes 14 portfolios and 4 risk based tracks that move you through a series of portfolios based on your student's age. The portfolios invest in mutual funds managed by American Century Investments and the Vanguard Group. Visit www.learningquestsavings.com/learningquest/individual_investors/investment_options.jsp for information about the investment options. Investors using an investment advisor have a different set of portfolios and should consult with their advisor to find the portfolio should consult with their advisor to find the one that best meets their needs. Click here to learn more about how mutual funds work (www.americancentury.com/investment_education/mutual_funds_101.jsp)

- How can I spend the funds?

To withdraw the matching grant funds, submit a withdrawal form with receipts for your student's qualified higher education expenses. Qualified higher education expenses include tuition, books, fees, and room and board if your student is at least a ½ time student. Students can attend any four year college or university, as well as any community college, technical or vocational school that is accredited and eligible to receive federal student financial aid. For tax year 2009 and 2010, computers are considered a qualified higher education expense.

- What if my student doesn't need the funds for higher education?

You can change the beneficiary to another student who is a family member of the original beneficiary with no tax consequences or penalties. "Family member" includes parents, siblings, aunts, uncles, children or their descendants, first cousins or spouse of any family member. This will change in 2010 with the implementation on new regulations for the program. Under the new regulations, if a beneficiary is enrolled in 2010 or thereafter, changing the beneficiary will forfeit the matching grant funds. http://www.kansasstatetreasurer.com/prodweb/pdfs/amended_regulations.pdf

You can also make a non-qualified withdrawal of your funds but you would forfeit the state's contribution to your account and its earnings, pay federal income taxes on the earnings in portion of the withdrawal plus a 10% of earnings penalty, and pay Kansas income taxes on the entire withdrawal if you took the Kansas income tax deduction when the funds were contributed. See the Learning Quest Handbook for more details on the tax treatment of your account.

- Can I have multiple beneficiaries for my account?

529 rules only allow one beneficiary per account.

- Can I receive a \$600 matching grant for each of my children?

This year, the matching grant is limited to one \$600 matching grant per account owner. Joint account owners can apply for two matching grants by checking the box at the bottom of page one on the K.I.D.S. application. The matching grant can be divided into accounts for multiple beneficiaries by listing them on page two of the application. The match will be divided based on how the first \$600 (or

\$1200 for joint account owners) is invested in the accounts. We have proposed regulations to change the matching grant to one per beneficiary for next year.

- Does my student have to spend the funds at a Kansas school?

No, the beneficiary can attend any higher education institution accredited by the College Board to receive federal student financial aid.