

810-3-15-.27 Deductions for Contributions to Alabama College Education Plans.

(1) Definitions:

(a) Qualifying Plans. Alabama college education plans as defined in Chapter 33C of Title 16, to include:

1. The Alabama Prepaid Affordable College Tuition Program (PACT), or
2. the Alabama College Education Savings Program.

(b) Nonqualified Withdrawal. A nonqualified withdrawal for purposes of this rule will have the same meaning as defined by Section 529 of the Internal Revenue Code (26 U.S.C. 529).

(2) Procedures – for tax years beginning after December 31, 2007:

(a) A deduction, not to exceed \$5,000 per taxpayer, is allowed as an adjustment to income on the Alabama income tax return for contributions made to a qualifying plan.

1. The deduction may equal an amount up to \$10,000 for married taxpayers filing a joint return where both taxpayers are making such contributions into qualifying plans.

2. The deduction may include amounts contributed to a qualifying plan where the contribution amount has been rolled over from another plan which is not included as a qualifying plan under this rule.

3. The deduction may be claimed by any taxpayer making such contribution to a qualifying plan on behalf of another individual.

(b) Contributions made to qualifying plans are deductible on the tax return of the contributing taxpayer for the tax year during which the contributions are made.

(c) In the event of a nonqualified withdrawal from the plan, an amount must be added back to the income of the contributing taxpayer.

1. The amount to be added back will be the amount of the nonqualified withdrawal plus 10 percent of the amount withdrawn.

2. The amount added back must be included in the income of the contributing taxpayer in the tax year that the nonqualified withdrawal was distributed.

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Authority: §§ 40-2A-7(a)(5) and 40-18-15, Code of Alabama 1975

History: New rule: Filed June 12, 2009, effective July 17, 2009.