



## West Virginia Prepaid Tuition Plan Benefit Distribution Guide 2010-2011

### Distribution Procedures

The Prepaid Tuition Plan benefit distribution procedures are designed to provide a simple, straightforward method for accessing available benefits so they can be used toward covering your beneficiary's qualified higher education expenses. This Guide explains the Procedures related to receiving Prepaid Tuition Plan benefits.

The Board of Trustees of the West Virginia College Prepaid Tuition and Savings Program determines the schedule of benefit values and the procedures governing them. Prepaid Tuition Plan policies and benefit valuations are modified periodically at the discretion of the Board.

### Obtaining Your Prepaid Tuition Benefits

1. The Account Owner must complete and sign a Prepaid Tuition Plan Distribution Request Form.
2. The Account Owner must submit a copy of the beneficiary's tuition and fee invoice from the school which they are enrolled. This is the beneficiary's proof of enrollment. Be sure the invoice copy clearly shows the beneficiary's name and the institution's name.
3. Submit the completed Distribution Request Form together with a copy of the tuition invoice to the Program at the address on the Distribution Request Form.
4. You must repeat this process each time you wish to withdraw plan benefits.

As directed by the Account Owner, a benefit distribution check may be made payable to the Account Owner, Beneficiary or Eligible Institution. Prepaid Tuition Benefit Distribution Request Forms and Instructions are available at [www.SMART529.com](http://www.SMART529.com) or from the SMART529 Service Center toll-free at 1-866-574-3542.

### Availability of Benefits

The prepaid tuition units in your account mature on a semester-by-semester basis, two per academic year, beginning with the fall semester of the beneficiary's expected college entrance year. A mature unit is available for immediate use.

**Example** - If you have eight semester units, they mature two per academic year for four years.

The *academic year* is the typical West Virginia public college academic year that begins with the fall semester, continues with a spring semester and runs through the end of the summer session. If you have not depleted all available units during the fall and spring semesters, remaining units may be used for attending summer school.

The SMART529 College Savings Service Center maintains the official record of available units in each Prepaid Tuition Plan account. You have up to 10 years from the beneficiary's expected college entrance year to use the tuition units in your prepaid tuition account.

## Schedule for Processing Distribution Requests

Distribution requests for the Fall Semester will begin processing in July. Distribution requests for the Spring Semester will begin processing in November. While Distribution Request Forms may be submitted at any time, they should normally be submitted two weeks prior to your need of the funds to allow time for mailing and processing. Once distributed, funds cannot be credited back to your account unless an error was made by SMART529.

## Determination of Benefit Value

The actual value of a semester unit of University-College Plan benefits is determined by the type of higher education institution at which the beneficiary is enrolled. Generally, these fall into one of the two categories below.

1. If the beneficiary is enrolled at an **Eligible West Virginia Public University or College**, the semester benefit value of one University/College unit is an amount equal to the institution's covered *Tuition and Mandatory Fees* as set by the Program's Board of Trustees. These are the tuition & mandatory fee amounts approved by the West Virginia Higher Education Policy Commission and the WV Council for Community and Technical College Education each spring for the upcoming fall semester. A list of these eligible West Virginia public universities and colleges is found below. Since tuition rates differ from school to school and from Associate Degree to Baccalaureate Degree students, the value of a prepaid tuition unit will vary. **The student is responsible for paying to the institution any fees not covered by the Prepaid Tuition Plan benefit.**
2. If the beneficiary is enrolled at an *eligible higher education institution* other than one of the West Virginia Public Universities & Colleges listed below, the value of one unit of University-College Plan benefits is equal to the *Current Tuition Value*, which is a fixed amount set by the Program's Board of Trustees. The Current Tuition Value typically changes each academic year and is based on the average cost of Tuition and Mandatory Fees covered at West Virginia public universities & colleges. *Eligible higher education institutions* are those eligible to participate in federal financial aid programs. This includes most private, independent or out-of-state universities or colleges and many trade or adult vocational schools.

Benefit values at each West Virginia public post-secondary institution and the Current Tuition Value are posted at [www.SMART529.com](http://www.SMART529.com) and are available from the Service Center toll-free at 1-866-574-3542.

## Eligible West Virginia Public Universities & Colleges

Blue Ridge Community and Technical College  
Bluefield State College  
Bridgemont Community & Technical College  
Concord University  
Eastern West Virginia Community & Technical College  
Fairmont State University  
Glennville State College  
Kanawha Valley Community & Technical College  
Marshall University  
Mountwest Community & Technical College FKA Marshall C&TC  
New River Community & Technical College  
Pierpont Community & Technical College  
Potomac State College of West Virginia University  
Shepherd University  
Southern West Virginia Community & Technical College

West Liberty University  
West Virginia Northern Community College  
West Virginia State University  
West Virginia University, Morgantown  
West Virginia University Institute of Technology  
West Virginia University at Parkersburg

## **Special Rule for Original Community College Plans**

If you have an original Community College Plan, using your plan benefits to pay the covered Tuition and Mandatory Fees at one of the 4 institutions below depletes the equivalent of one (1) Community College Plan unit:

Eastern West Virginia Community & Technical College  
Southern West Virginia Community & Technical College  
West Virginia Northern Community College  
West Virginia University at Parkersburg (1<sup>st</sup> & 2<sup>nd</sup> years only)

## **Answers to Frequently Asked Questions**

### **What is an eligible higher education institution?**

An *eligible higher education institution* is a college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the Department of Education. It includes virtually all accredited public, nonprofit, proprietary (privately owned profit-making) postsecondary institutions and all of the West Virginia Public Universities & Colleges listed above. To determine eligibility, contact the institution or call the federal Department of Education at 1-800-433-3243.

### **What student fees are not included in the Plan benefit value?**

State policies allow universities & colleges to charge a variety of special fees and charges that are not covered by the Plan. Some examples of non-covered fees include special fees for specific majors, programs or courses; lab fees; parking fees; application fees, and dorm fees, among others. Even though a fee may be required of an individual student, if that fee is not required as a condition of enrollment for **all** full time, in-state undergraduate students at that institution, it is not included as a Mandatory Fee covered by the Plan. Certain non-academic fees may be excluded from coverage even though they may be required of all students.

### **What is the Current Tuition Value?**

Current Tuition Value (CTV) is the measure of the prepaid tuition benefit value established by the West Virginia College Prepaid Tuition and Savings Program Board of Trustees for use when the beneficiary is attending an eligible institution other than one of the West Virginia public institutions. It is based on an average cost, as determined by the Board, of covered Tuition and Mandatory Fees charged by West Virginia public universities and colleges for full-time, in-state undergraduate students. The Current Tuition Value amount is updated annually by July 1 on the program website at [www.SMART529.com](http://www.SMART529.com) or may be obtained from the Service Center toll-free at 1-866-574-3542.

### **Can the Plan benefit value be used to pay college expenses other than tuition and mandatory fees?**

The West Virginia Prepaid Tuition Plan is operated as a “qualified tuition program” under Section 529 of the federal Internal Revenue Code, and its distributions fall under the same tax rules as other 529 plans. As long as you use your distribution to cover the *qualified higher education expenses* of the beneficiary, the distributions will not be subject to federal or West Virginia personal income taxes. In addition to tuition and mandatory fees, *qualified higher education expenses* include books, supplies, room, board and any equipment specifically required by the college for the student’s use. To use your withdrawals tax-free on housing and food expenses, the beneficiary must be enrolled as at least a half-time student, as determined by the school. Additionally, qualified expenses include any *special needs* costs of the beneficiary specifically related to attending college. Check with the school’s Student Financial Aid Office and ask to review the Cost

of Attendance budget to determine the typical amount of qualified expenses in each category. Transportation costs and the student's miscellaneous personal expenses are not qualified expenses under Section 529. You should always keep good records detailing the qualified educational expenses you covered with the Prepaid Tuition Plan benefit distribution. See IRS Publication 970 for additional information. It can be ordered free of charge from the IRS or visit [www.irs.gov](http://www.irs.gov).

### **Can I use the benefit value for things other than college expenses?**

The Plan does not control how you spend the funds you receive from the distribution of benefits. If you spend the funds you withdraw on things other than *qualified higher education expenses of the beneficiary*, the earnings portion of the distribution will be subject to federal and state income taxes, plus, in most cases, an additional 10% federal tax penalty. Additionally, for WV Personal Income Tax purposes, if you had previously taken a deduction for the amounts you contributed to the Plan, you must recapture the deduction amount related to the portion of the basis in the distribution that was used for non-qualified expenses. Consult your tax advisor for more information.

### **How can I keep up with distributions and earnings and possible tax liabilities?**

First, always maintain good records of all your beneficiary's qualified higher education expenses. For any calendar year in which you receive a distribution, the Plan will send out a Form 1099-Q listing the total amount distributed and the amount of the total distributions that was attributable to earnings and the amount that was a return of your original contribution- the Basis. If you used any portion of your distributions for non-qualified purposes, you should consult a tax advisor to help you determine your tax liability. You may also find IRS Publication 970 helpful. It can be ordered free of charge from the IRS or visit [www.irs.gov](http://www.irs.gov). The West Virginia College Prepaid Tuition and Savings Program and its SMART529 Customer Service Center cannot provide tax advice or assist you in completing tax forms.

### **Do I need to notify the school that we are withdrawing benefits from the Plan?**

If you are having the Plan send a check directly to the institution, you should notify the school so they can be watching for it. If the beneficiary is applying for student financial aid, the beneficiary should notify the institution's financial aid office that he/she has a WV Prepaid Tuition Plan.

### **I have mature prepaid tuition benefits available, am I required to use them now?**

No, prepaid tuition benefits may be banked for future use. 1) You have up to 10 years from the beneficiary's original expected college entrance year to use the prepaid tuition benefits you purchased. 2) You may also change the beneficiary, income tax free, to an eligible family member of the current beneficiary.

### **If my beneficiary does not attend college, can I cancel my plan?**

Yes, be aware, however, that if benefits are withdrawn when the beneficiary is not in school, refund values are limited to the cancellation value and the earnings portion of any distribution may be taxable at the federal and state level and subject to a 10% federal tax penalty. If at a time four years or more after the Beneficiary's Projected Enrollment Year, you submit a written request to cancel a paid in full account, the account owner will receive a full refund for all unused benefits based on the Current Tuition Value in effect at that time rather than the cancellation value described in the WV Prepaid Tuition Plan Participation Agreement.

### **What if my beneficiary receives a PROMISE or other tuition scholarship?**

If your beneficiary receives a West Virginia PROMISE Scholarship or other tuition scholarship, you may still access your semester benefit value by submitting a Distribution Request Form. You may want to withdraw part or all of your available benefit value to pay for other qualified expenses of the beneficiary such as books, supplies, room and board. Any part of the earnings portion of a distribution not used for covering qualified higher education expenses of the beneficiary is subject to federal and state income taxes. The 10% federal tax penalty, normally charged on the non-qualified use of distributions, does not usually apply to distributions that do not exceed the amount of a tuition scholarship received by the beneficiary. Consult your tax advisor for more details.

**Questions? Contact a Service Specialist toll-free at 1-866-574-3542**