

*Answers to your
Questions About
Tax-Free
Distributions
for Education
Expenses*

What is a Coverdell Education Savings Account?

Formerly known as Education IRAs, Coverdell Education Savings Accounts are an ideal way for you to begin saving money to help a child, grandchild, or any young person you know pay for higher education expenses down the road.

Contributions to a Coverdell Education Savings Account are not tax-deductible, but distributions used to pay for the qualified education costs of the named beneficiary are generally tax free.

Am I eligible to contribute to a Coverdell Education Savings Account?

You can contribute up to \$2,000* annually per beneficiary below the age of 18, provided you meet the following income limits:

Single Person Filing Individually

Tax Year	Full Contribution if your modified AGI* is:	Partial Contribution if your modified AGI* is between:
2012	\$95,000 or less	\$95,000 – \$110,000 no contribution if \$110,000 or more
2013	\$95,000 or less	\$95,000 – \$110,000 no contribution if \$110,000 or more

Married Couple Filing Jointly

Tax Year	Full Contribution if your modified AGI* is:	Partial Contribution if your modified AGI* is between:
2012	\$190,000 or less	\$190,000 – \$220,000 no contribution if \$220,000 or more
2013	\$190,000 or less	\$190,000 – \$220,000 no contribution if \$220,000 or more

* Adjusted Gross Income

Beneficiaries are limited to receiving a total of \$2,000* in contributions to one or more Coverdell Education Savings Accounts annually, regardless of the contributors' limits. Your contributions to a Coverdell Education

Savings Account are separate from contributions made to a traditional or Roth IRA and therefore may be made in addition to your contribution limits for those types of accounts.

Corporations and other entities, including tax-exempt organizations, are permitted to make contributions to Coverdell ESAs regardless of the income of the corporation or entity in the year of the contribution.

How long may I continue to contribute to a Coverdell Education Savings Account?

You may continue to contribute to the account until the named beneficiary reaches the age of 18. No contributions may be made to the account after that time. If the beneficiary qualifies as a special needs beneficiary, you may continue to make contributions to their account after they reach 18 years of age.

Are distributions from a Coverdell Education Savings Account taxable?

Distributions from a Coverdell Education Savings Account which are used to pay for the “qualified education expenses” of the beneficiary are tax-free. Qualifying expenses include:

- Expenses incurred in connection with the enrollment or attendance of the beneficiary at a public, private or religious school providing elementary or secondary education.*

These expenses include tuition, fees, academic tutoring, special needs services, books, supplies and other equipment. Also included are expenses associated with room and board, uniforms, transportation and supplementary items and services such as extended day programs. Computer technology, equipment and Internet access and related services may also be paid tax-free from the account, if these items are to be used by the beneficiary or their family during that beneficiary’s period of schooling.

- Post-secondary tuition, fees, textbooks, supplies and equipment.
- Post-secondary room and board expenses.

(Only if the beneficiary is enrolled on at least a half-time basis at an eligible institution.)

Any amount of the distribution in excess of the qualified expenses, which is not attributable to contributions, will be taxed as earned income.

What if the beneficiary doesn’t use the earnings for qualified education expenses?

If the beneficiary does not use the earnings for qualified education expenses, the funds may be rolled over to certain qualified family members of the beneficiary. The funds from a Coverdell Education Savings Account must be received by the time the beneficiary reaches age 30. If the funds have not been distributed or rolled over by that time, the earnings will be taxable and subject to a 10% IRS penalty tax. This distribution rule does not apply in the event that the beneficiary qualifies as a special needs beneficiary.

Must I contribute every year?

No. You are not required to contribute each year.

What is the deadline for contributing to a Coverdell Education Savings Account?

Individuals may make contributions for a tax year no later than the tax filing deadline for that tax year; generally April 15.

***The following changes will occur after December 31, 2012, unless these provisions are extended by Congress:**

- *The annual contribution limit will be reduced from \$2,000 per beneficiary to \$500 per beneficiary.*
- *Only postsecondary education expenses will qualify for tax-free distribution; Expenses incurred in connection with the enrollment or attendance of the beneficiary at a public, private or religious school providing elementary or secondary education will no longer be eligible.*
- *Distributions will only be tax-free for taxpayers who do not claim an American Opportunity or Lifetime Learning Credit in the same year.*



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IMPORTANT NOTE - The information contained in this brochure is not intended to provide specific advice or recommendations for any individual. We recommend that you consult your attorney, tax or financial advisor with regard to your personal situation.