

# Learning Quest Frequently Asked Questions

The Kansas Postsecondary Education Savings Program was created by the 1999 Kansas Legislature.

Kansas offers three 529 plans: Learning Quest and Learning Quest Advisor which are managed by American Century Investments and the Schwab 529 Plan which is managed by American Century Investments and distributed by Charles Schwab & Co., Inc. Each offers education savings accounts to help you pay higher education expenses for individuals that you designate or for yourself. The program also provides tax advantages under both Kansas and federal law. Kansas taxpayers may take an annual deduction of up to \$3,000 (\$6,000 for married, filing jointly) from Kansas adjusted gross income for contributions into each beneficiary's Learning Quest, Learning Quest Advisor, or Schwab 529 account or contributions to a 529 plan sponsored by any other state.

## Q: Who administers the program?

A: The Kansas Learning Quest® 529 Education Savings Program is administered by Kansas State Treasurer, Steven Johnson, who is responsible for the regulations governing the program, selecting the financial organization that manages the accounts, ensuring the program complies with all relevant Internal Revenue Service guidelines and monitoring investment performance with the assistance of an outside consultant and an advisory committee. The Treasurer also must report each year to the Kansas Legislature on the operations of the program. The State of Kansas selected American Century® Investments, based in Kansas City, Missouri, as the program manager. This mutual fund, brokerage and investment services company is in charge of managing accounts, providing customer service, educating account owners and communicating the benefits of the program.

## Q: What are the tax advantages?

A: There are tax advantages under both Kansas and federal law. Earnings grow tax deferred under both federal and Kansas law and can be withdrawn tax free for qualified higher education expenses. In addition, Kansas taxpayers may take an annual deduction of up to \$3,000 (\$6,000 for married, filing jointly) from Kansas adjusted gross income for contributions into each beneficiary's Learning Quest, Learning Quest Advisor, or Schwab 529 account or contributions to a 529 plan sponsored by any other state.

## Q: How much can we put in the account?

A: Once the total balance for each beneficiary from all account owners exceeds \$455,000, contributions will no longer be accepted. This is based on the average expenses of five years of higher education in Midwestern states and is adjusted annually.

## Q: Can anyone open or benefit from an account?

A: Any U.S. citizen or resident may open an account or be a beneficiary. There are no age or income limits. It is possible to change an account beneficiary, but federal law requires imposes tax consequences if the

account is transferred to someone other than an eligible family member of the prior beneficiary. Family members include parents, grandparents, aunts, uncles, first cousins, siblings/step-siblings and their spouses and children, in-laws, and the spouse of the beneficiary. State and local governments, and their agencies, and qualified charities also may open Learning Quest accounts to fund scholarships. In such cases, the beneficiary or beneficiaries will be determined at the time the scholarship is awarded.

**Q: What can the account be used for?**

**A:** Federal law defines qualified educational expenses to include such things as tuition, room and board for students who are at least half time, books, required fees and supplies, a computer and related software and peripherals, and special needs expenses for special needs students.

- Beginning in 2018, K-12 tuition was added as a qualified educational expense. Currently, each year up to \$10,000 per beneficiary can be applied towards K-12 tuition.
- Beginning in 2020, qualified higher education expenses were expanded to include expenses for fees, books, supplies, and equipment required for the participation in a registered apprenticeship program ([www.apprenticeship.gov](http://www.apprenticeship.gov)).
- Beginning in 2020, qualified higher education expenses were expanded to allow for student loan repayment on any qualified education loan of a designated beneficiary or a sibling of the designated beneficiary (i.e., those amounts would be withdrawn tax-free). The amount is treated as a qualified expense for loans of any individual and is subject to a lifetime limit of \$10,000. A designated beneficiary and a sibling would each be allowed up to \$10,000 of qualified education loan repayments as 529 plan qualified distributions. Siblings may include a brother, sister, stepbrother or stepsister. A 529 plan account owner may change the 529 plan beneficiary at any time without tax consequences. The provision does not appear to directly encompass the repayment of student loan debt incurred by parents on behalf of the designated beneficiary.

**Q: Is there a penalty for non-education purposes?**

**A:** Taxpayers must pay federal and Kansas taxes on the earnings portion of a non-qualified withdrawal plus a 10% of earnings penalty is assessed at the federal level.

**Q: How can I open an account or get more information about Learning Quest?**

**A:** Visit the Kansas Learning Quest Educational Savings Program website ([www.LearningQuest.com](http://www.LearningQuest.com)) or call 1-800-579-2203 to speak to a Learning Quest Specialist.

*Disclaimer: As with any investment, withdrawal value may be more or less than your original investment. This information is for educational or informational purposes only and is not intended as tax advice. If you are not a Kansas resident, you may lose any tax benefits offered by your own state's plan if you invest in another state's plan. Learning Quest, Learning Quest Advisor and the Schwab 529 are administered by Kansas State Treasurer Steven Johnson, and managed by American Century Investment Management, Inc.*

*Notice: Accounts established under Learning Quest and their earnings are neither insured nor guaranteed by the State of Kansas, the Kansas State Treasurer, American Century Investment Management, Inc, or Charles Schwab & Co., Inc.*