

# FAQs Regarding the K.I.D.S. Program

## Q: How does the match work?

A: 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.

## Q: Who counts as a member of my household and whose income must be included as a member of my household?

A: Your “household” is all persons related by birth, marriage, or adoption who share your residence. Anyone who has resided in your household at any point during the tax year being considered is presumed to have resided there for the entire calendar year. A college student who is still your dependent is included as a member of your household because their absence from your home is temporary and not considered a permanent change in residence.

## Q: What is Learning Quest?

A: 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 Steven Johnson with investment management by American Century investments.

## Q: What is a 529 plan?

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

## Q: What are the tax advantages of a 529 account?

A: Earnings in a 529 account grow tax deferred and can be withdrawn tax free when they are used for qualified higher education expenses. 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.

## Q: What are qualified expenses?

A: Qualified higher education expenses include: tuition and fees, books, a computer and related software and peripheral equipment, and room and board for students enrolled in at least 6 credit hours. 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.

## Q: How are the funds invested?

A: 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 [https://www.learningquest.com/content/investment\\_options.html](https://www.learningquest.com/content/investment_options.html) 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 <https://www.americancentury.com/content/direct/en/products/investment-vehicles/mutual-funds.html> to learn more about how mutual funds work.

**Q: How can I spend the funds?**

**A:** To withdraw the matching grant funds, submit a withdrawal form with your receipts for your student's qualified higher education expenses. Qualified higher education expenses include: tuition and fees, books, a computer and related software and peripheral equipment, and room and board for students enrolled in at least 6 credit hours. 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.

**Q: What if my student doesn't need the funds for higher education?**

**A:** Beginning in 2024, money from a 529 account can be transferred tax-free to a Roth IRA for the same beneficiary, subject to certain rules and limitations. Please contact a tax advisor for additional information. 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 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. If you enrolled in the K.I.D.S. program before 2010 and have not received a matching grant since then, You can change the beneficiary to a family member of the beneficiary. Please see the Learning Quest handbook for a definition of family member.

[http://cdn.unite529.com/jcdn/files/LQU/pdfs/handbook\\_ws.pdf](http://cdn.unite529.com/jcdn/files/LQU/pdfs/handbook_ws.pdf)

**Q: Can I have multiple beneficiaries for my account?**

**A:** 529 rules only allow one beneficiary per account.

**Q: Can I receive a \$600 matching grant for each of my children?**

**A:** Yes, each beneficiary can receive a matching grant of up to \$600 if the eligible account owner contributes at least \$100 to an account for the beneficiary. Make sure to list the all the beneficiaries that you have an account for on the first page of the K.I.D.S. application. You can also open new accounts when you apply.

**Q: Does my student have to spend the funds at a Kansas school?**

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

*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.*