



KAPT

Kentucky's Affordable Prepaid Tuition Account Owner's Guide to Using KAPT Benefits

Please follow the steps below to use your KAPT benefits. If you have any questions, call 1-888-919-5278, option 2.

Steps to Follow

1. If your beneficiary is attending an out-of-state institution, notify KAPT in writing at least 45 days before enrollment begins. You can print the *Notice of Intent to Enroll Form* from the *Using Benefits* section at www.getKAPT.com, and fax or mail it to us. You may also indicate your beneficiary's school choice online at www.getKAPT.com by selecting "Account Information" and providing the information requested in the *Benefits Information* section.
2. Provide a completed KAPT *Billing Authorization Form* (available at www.getKAPT.com) to the school's billing office on or before the school's billing deadline. This form must be provided to the school **each** academic term in which you want to use KAPT benefits.
3. Schools will bill KAPT after the drop/add deadline for an amount equal to the tuition and fees charged to the student, unless a lesser amount is indicated by you on the billing authorization form. KAPT will pay invoices up to the full payout value of the account.
4. If you want to utilize KAPT benefits in an amount exceeding the amount billed by the school for your beneficiary's qualified higher education expenses, submit a KAPT Reimbursement Request Form (available at www.getKAPT.com) to the KAPT program office. This Reimbursement Request Form should be completed after the beneficiary has enrolled, is attending classes, and you are aware of his/her exact charges.

Questions & Answers

How do KAPT beneficiaries become eligible to use benefits?

KAPT beneficiaries become eligible upon reaching their projected college entrance year. Before contract benefits can be utilized, all outstanding balances and fees must be paid in full, a valid Social Security number must be on file for the beneficiary, and the account must have been in effect at least two years from the first payment due date of the account. An information packet is sent to account owners in the spring of the beneficiary's college enrollment year.

Do I have to use KAPT benefits once my beneficiary reaches college age?

No, but with newly established **Utilization Period** (based on Account Owner declaration of Projected College Entrance Year on KAPT Application for Enrollment) it would be in the beneficiary's best interest to use KAPT benefits as originally intended. Also, June 30, 2028 has been established as the program close date. At that point, all remaining KAPT funds shall be transferred to another qualified tuition program or refunded upon request to Account Owner.

Does my KAPT contract guarantee my beneficiary will be admitted to a Kentucky institution or qualify for in-state tuition rates?

No. Students must meet the admission requirements of the school they wish to attend. Ownership of a KAPT contract is not considered when determining if a student is eligible for in-state tuition rates. KAPT's payout values are based on in-state tuition rates, regardless of the beneficiary's residency status.

What expenses are eligible to be paid with my KAPT account?

Your KAPT account can be used to pay for qualified higher education expenses incurred during the current tax year including tuition, fees, books, supplies, and equipment required for enrollment at any eligible educational institution, and room and board if the beneficiary is enrolled at least half-time. The amount of room and board that may be treated as a qualified higher education expense is generally limited to the room and board allowance that is included by the school in its "cost of attendance" for that year.

You should retain receipts, invoices, or other information adequate to substantiate the qualified higher education expenses of your beneficiary. It is your responsibility to substantiate any expense you claim on your federal income tax returns as a qualified higher education expense if the Internal Revenue Service requires documented expenditures.

What is an eligible educational institution?

Eligible educational institutions include any accredited college or university in the country (and some schools abroad under certain circumstances) that are eligible to participate in the U.S. Department of Education student financial aid programs. Most Kentucky higher education institutions are eligible educational institutions. You can verify the eligibility of a specific higher education institution by contacting the school directly.

What benefits (payout value) do I have available?

The amount of benefits available will depend on the type of KAPT plan you have, the year benefits are used, and the number of benefit hours remaining under normal usage. A payout value, within Utilization Period, for your contract is established for each academic year when institutions set their tuition and fees. For example, the Standard Plan payout value is equal to the highest-priced Kentucky public university tuition and mandatory fees. (Mandatory fees are those fees required as a condition of enrollment incurred by all students at the institution.) If the University of Kentucky has the highest-priced tuition and fees for the year at \$5,000 per semester, the payout value for one contract year of the Standard Plan for that academic year will be \$10,000. If you own four years of the Standard Plan, your one-year payout value will be \$10,000 and your full account payout value will be \$40,000 under the normal Utilization Period.

Each KAPT contract year within normal Utilization Period is the equivalent of 32 KAPT benefit hours. Depending on the number of contract years purchased and Utilization Period, you could have up to 160 benefit hours available when your beneficiary begins using benefits (five contract years of tuition). Each academic year, the benefit hour value is determined for each type of plan by dividing the one-year payout value by 32. For example, if the one-year payout value of the Standard Plan is \$10,000, the benefit hour value for that year is \$312.50 (\$10,000 divided by 32). To determine the total payout value of your account within normal Utilization Period, multiply the number of benefit hours remaining by the current year benefit hour value. Using our same example, if you have 64 Standard Plan benefit hours available, your full payout value is \$20,000 (\$312.50 X 64) under the normal Utilization Period.

Keep in mind that if your beneficiary uses more benefits in an academic year or you are requesting funds outside the normal Utilization Period than the one-year payout value, your account will be depleted at a faster rate and your benefits may be exhausted in a lesser number of years than anticipated. You can view your benefit usage information online, including payment details and remaining benefit hours, at www.getKAPT.com. Once payout values are determined, this information will be made available through customer service at 1-888-919-KAPT, option 2, and at www.getKAPT.com.

Can we use more than one year of benefits at a time?

Yes. KAPT will disburse benefits up to the full payout value of the account. If your beneficiary attends a higher-priced institution than covered by your KAPT plan (for example, if you purchased the Standard Plan and your beneficiary attends a private institution or an out-of-state institution), you may decide to use more than one year of KAPT benefits

at a time. Keep in mind that your KAPT account will be depleted at a faster rate and your benefits will be exhausted in a lesser number of years than anticipated. KAPT reserves the right to make an actuarial adjustment on accounts that use more than the payout value for the year.

Do KAPT funds have to be used to pay for tuition and fees before being applied to other expenses?

- No. KAPT benefits may be disbursed to either the school or directly to the purchaser. Purchasers can request reimbursement for other education expenses after their beneficiary has enrolled, is attending classes, and you are aware of his/her exact charges. KAPT funds can be used for any qualified higher education expenses.

Can KAPT funds be used for summer terms or intersessions?

Yes. You must submit a KAPT *Billing Authorization Form* to the school by the payment deadline for the academic term.

What if my beneficiary attends an out-of-state school?

Your payout value will depend on the KAPT plan you purchased, not the school your beneficiary attends. See #1 under "Steps to Follow" at the beginning of this guide.

How does the school get paid from my KAPT account?

You must provide the school billing office with a KAPT *Billing Authorization Form* for **each** academic period you want KAPT to pay benefits. The form is available at www.getKAPT.com. You should give this form to the school by the school's billing deadline each academic term. The school will then invoice KAPT after the drop/add deadline for the amount of tuition and fees charged or a lesser amount if indicated by you on the form, up to the payout value of your account under the normal Utilization Period. Please note that no adjustments will be made for failed courses or hours dropped after an invoice has been paid. A school credit balance resulting from dropped courses would be handled according to the school's policy.

How do I request funds to pay for qualified higher education expenses other than tuition and fees for my beneficiary?

You can request funds be disbursed for these types of expenses to you by completing a *Reimbursement Request*. This form is available at www.getKAPT.com and can be submitted for education expenses after the beneficiary has enrolled, is attending classes, and you are aware of his/her exact charges. Please keep in mind, qualified higher education expenses should be claimed in the tax year they were incurred and submitted to KAPT no later than March 31 of the following year for processing.

What if my beneficiary gets a scholarship?

KAPT benefits can be held for future use, but under newly established Utilization Period, that is based on Account Owner declaration of Projected College Entrance Year, it would be in the beneficiary best interest to use KAPT benefits as originally intended, transferred to another member of the beneficiary's family (up to Program close date of June 30, 2028), or refunded to the account owner. Also, your KAPT benefits can be used for qualified higher education expenses not covered by the scholarship. For example, if your beneficiary receives a partial scholarship for tuition and fees, your KAPT account can be used for the remaining tuition and fees by submitting a *Billing Authorization Form* to the school. Or, if a full tuition scholarship is received, your KAPT account can be used to cover other qualified educational expenses like books, room and board by submitting a *Reimbursement Request* after the beneficiary has enrolled, is attending classes, and you are aware of his or her exact charges.

In order to process a scholarship refund, a request signed by the account owner and documentation of the scholarship must be provided after the scholarship is actually received. For example, if your beneficiary receives a four-year tuition scholarship, you could request a refund on a semester-by-semester basis for the amount of scholarship received each term. You would not be able to request a refund for the full four-year amount of the scholarship in your beneficiary's freshmen year since the full amount of the scholarship had not yet been received. Earnings that are refunded due to scholarship are subject to federal and state income taxes.

What if my beneficiary has more than one KAPT account?

If your beneficiary has more than one KAPT account (with the same or different account owners), the accounts will be used in the order they were purchased. If this is not your preference, please call 1-888-919-KAPT, option 2.

How is KAPT considered in the financial aid process?

Tuition prepayment plans are treated as investments on the FAFSA, like 529 savings plans are treated. KAPT accounts owned by parents or dependent students should be reported as parental investments on the FAFSA. KAPT accounts owned by independent students should be reported as student investments. When reporting KAPT accounts, you should report the total refund value of all KAPT accounts owned by you. For purposes of FAFSA reporting, the refund value for KAPT accounts of beneficiaries entering or already attending college is the full payout value of the account (including earnings). For KAPT accounts of beneficiaries who have not yet reached their college enrollment year, the refund value is equal to contributions only. To help you complete the FAFSA, your FAFSA reporting value is available on the KAPT website. To access the information: 1) Select the Account Access link at www.getKAPT.com to sign into your KAPT account, 2) Click on "Benefits Information," and 3) Select the option to view information on completing the FAFSA. You may also request the FAFSA reporting value of your account(s) by calling customer service at 1-888-919-5278, option 2.

Your contract benefits are not included in determining the amount of Kentucky state student aid your beneficiary will receive. You should contact the school financial aid office for additional information and assistance.

What if my beneficiary decides not to go to college or if I have benefits left on my account when my beneficiary finishes college?

If your beneficiary decides not to go to college, you may hold your account for future use, transfer benefits to another member of the beneficiary's family, or request a cancellation of your account. If you have benefits remaining when your beneficiary finishes college, you may transfer benefits to another member of the beneficiary's family or request a refund of the remaining value of your account. Also, KAPT funds can be used if your beneficiary pursues a post-baccalaureate degree. Your account payout value (based on original Projected College Entrance Year and Utilization Period) will continue to be based on undergraduate tuition rates.

What are the tax implications when benefits are disbursed?

Payments made for qualified higher education expenses are not subject to federal income tax and are not subject to state income tax if the recipient is a Kentucky resident. If the recipient is a resident of another state, you should check to see whether any state tax will be owed. The recipient (either the account owner or the beneficiary) will receive a 1099 form from KAPT in January of each year. The beneficiary will be considered the recipient for disbursements that are made directly to the school. The account owner will receive the 1099 for all other disbursements. KAPT recommends that you consult with a professional tax advisor if you have further questions regarding the income tax effects of a KAPT account.