



# Rules and Conditions Applicable To Withdrawal

## GENERAL INFORMATION

The ESA Responsible Individual (you) must supply all requested information so the Trustee or Custodian can do the proper tax reporting. The term ESA will be used below to mean Coverdell Education Savings Account.

## DISTRIBUTION REASON

You are required to give the reason for taking the withdrawal from the ESA.

**Transfer.** Check this box if the distribution was made directly (trustee-to-trustee transfer) from one ESA to another ESA. A transfer is reported to the IRS on Form 1099-Q by checking box 4. The Trustee or Custodian may also choose to report the transfer by using a Code 1 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**Disability.** Check this box if the distribution was made after the Designated Beneficiary was disabled. Check this box only if the disability renders the Designated Beneficiary unable to engage in any substantial gainful activity and it is medically determined that the condition will last continuously for at least 12 months or lead to his or her death. Disability distributions are reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the disability distribution by using a Code 4 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**Death.** If this distribution will be made to a death beneficiary, proof, in a form acceptable to the Trustee or Custodian, must be provided to verify entitlement to receive the distribution. Death distributions are reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the death distribution by using a Code 5 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**Excess Contribution Removal.** If an excess contribution was made to the ESA, you must take the appropriate steps to remove the distribution. Depending upon when you take the necessary corrective action and the amount of the excess contribution, there may be an IRS excess contribution penalty and or tax. The removal of excess contributions is reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the removal of the excess contribution by using Code 2 or 3 in the blank box below boxes 5 and 6 on the Form 1099-Q depending on the timing of the removal.

**Prohibited Transaction.** If a prohibited transaction as defined in IRC Section 530(e) has occurred, there may be an IRS penalty. If the prohibited transaction is not timely corrected, an additional penalty may apply. Prohibited transactions are reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the prohibited transaction by using a Code 6 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**General Distribution.** Any distribution taken for any reason other than those previously listed. For example, a direct payment to the educational facility for education expenses of the Designated Beneficiary would be included in this category and reported to the IRS on Form 1099-Q. The Trustee or Custodian may choose to report the distribution by using Code 1 in the blank box below boxes 5 and 6 on the Form 1099-Q.

## BASIS AND EARNINGS

The earnings (or loss) on the gross amount distributed from an ESA are calculated using the earnings ratio described in Proposed Regulations Section 1.529-3 and Notice 2001-81.

## SIGNATURES

The signature of the ESA Responsible Individual is required to certify that the information provided is true and correct and that the Designated Beneficiary is aware of all the circumstances affecting this ESA withdrawal.