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FOR CHOICE IN EDUCATION

## Iowa 529 Savings Plans Information

### Disclaimer

This Fact Sheet is not intended to provide tax or legal advice. If you are considering using an Iowa 529 plan for K-12 purposes and you have specific questions about your impact, please seek guidance from a tax professional or an attorney. This document is subject to change.

### Federal Law Change

Beginning in 2018, qualified expenses for federal tax benefit purposes include K-12 tuition at public, private or religious schools up to \$10,000 per year per student in the aggregate across all qualified tuition programs for a designated beneficiary.

### Iowa State Law Change

The Iowa Tax Reform legislation signed into law in June 2018 contained provisions related to distributions from an Iowa 529. The tax provisions were retroactive to January 1, 2018. Under the new legislation Iowa taxpayers can use assets in one of the plans under the Iowa Education Savings Plan Trust to pay for K-12 tuition with no Iowa state tax consequences if:

- The beneficiary attends an elementary or secondary school in the state of Iowa;
- The elementary or secondary school is accredited under Iowa Code Section 256.11; and
- The elementary or secondary school adheres to the provisions of the federal Civil Rights Act of 1964 and Iowa Code Chapter 216.

State tax treatment of K-12 withdrawals is determined by the state(s) where the taxpayer files state income tax. If you're not an Iowa taxpayer, please consult with a tax advisor.

### FAQ's

#### ***Can an Iowa taxpayer use their 529 funds for K-12 tuition out of state?***

Yes. However, their withdrawal would be considered nonqualified for Iowa state tax purposes and would be subject to recapture.

#### ***What is the recapture on non-qualified withdrawals?***

Contributions to an Iowa 529 Plan that were previously deducted for Iowa income tax purposes must be included as Iowa income when distributed, unless they are used to pay for qualified education expenses. For Iowa income tax purposes, a rollover to a non-

Iowa 529 plan will be treated as a nonqualified withdrawal and taxed as income to the extent previously deducted as a contribution to the Iowa 529 Plan.

***Who can receive a distribution for K-12 tuition?***

A qualified K-12 withdrawal can be sent directly to a K-12 Institution or to the Participant. Unlike higher education qualified withdrawals, distributions will not be sent directly to the Beneficiary.

***Can a 529 participant have a K-12 distribution sent directly to the K-12 institution?***

Yes. Forms and the website will be updated to clearly indicate if the payment is going to a K-12 or Higher Education Institution. Until then, participants may request a payment to the Eligible Institution and payment will be mailed directly to the K-12 institution.

***Are the age-based tracks suitable for funds contributed for K-12 purposes?***

No. Age-based options are designed for higher education and are generally not appropriate for K-12 time horizons. Please consult with a tax advisor for additional advice.

***Are other K-12 expenses such as books and supplies qualified education expenses?***

No. Tuition is the only qualified education expense for K-12.

***When can participants start making qualified withdrawals for K-12?***

Now. The federal law became effective on January 1, 2018 and the state law is retroactive to January 1, 2018. Forms are in the update process, but withdrawals may be taken at any time for K-12 Tuition.

***The online and/or paper withdrawal form has not been updated, how do I request a qualified withdrawal for K-12 tuition?***

We are in the process of changing the language related to withdrawals. Once that process is complete, there will be a selection specifically for K-12 qualified withdrawals. Until that time, you should select the qualified withdrawal option (even though it may indicate that is for higher education). You may direct the payment to the account owner or the K-12 Institution; simply enter that where it asks for the Institution of Higher Education.

***How quickly can I receive my funds?***

Please allow 7-10 business days for payment by check by regular mail to reach the account owner or the K-12 institution.

Changes to your account that can delay the regular delivery time of 7-10 days:

- Contributions made by check, recurring contribution or EBT will not be available for withdrawal for seven business days.
- If the address information that you have requested the withdrawal be sent to has changed in the last nine business days, your withdrawal will be held until this waiting period has been satisfied.

- If the banking information that you have requested the withdrawal be sent to has changed in the last 15 calendar days, your withdrawal will be held until this waiting period has been satisfied.

**What if I have additional questions?**

Please call the 529 Plan and an associate will assist you.

College Savings Iowa: 888.672.9116

IAdvisor 529 Plan: 800-774-5127.

Iowa ACE coordinated with the State Treasurer's office for this information.

Trish Wilger, Executive Director, Iowa Alliance for Choice in Education,  
[twilger@iowaace.org](mailto:twilger@iowaace.org), 515.323.0687