Regulatory Analysis

Notice of Intended Action to be published: 781—subrules 16.11(3) and 16.13(2)
"Qualified Withdrawals"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 12D.2(16)

State or federal law(s) implemented by the rulemaking: Public Law No. 119-21 Sections 70115 and 70413

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

September 9, 2025 9 to 10 a.m.	Office of the Treasurer of State, Room 113 State Capitol Building Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Treasurer of State no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Molly Widen, Chief of Staff
1007 East Grand Avenue, First Floor
Des Moines, Iowa 50319
Email: molly.widen@tos.iowa.gov

Purpose and Summary

This proposed rulemaking is necessary to implement changes to Iowa's 529 program that have already been implemented at the federal level. Beginning January 1, 2026, the annual federal withdrawal limit for kindergarten through twelfth grade expenses will increase from $10,000 to $20,000, and the ability to roll over funds from a 529 account to an ABLE account, such as IAble, will be made permanent.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Not applicable.

- **Classes of persons that will benefit from the proposed rulemaking:**

Account owners and beneficiaries of 529 or 529A accounts or both will benefit.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Not applicable.

- **Qualitative description of impact:**

Not applicable.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Not applicable.

- **Anticipated effect on State revenues:**

Not applicable.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

If there is inaction, Iowans will not be able to roll over funds from a 529 to a 529A account after January 1, 2026. Additionally, inaction would prevent 529 account holders from utilizing an additional $10,000 for kindergarten through twelfth grade tuition.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

None exist.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

No alternative methods were considered.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The rulemaking seeks to bring Iowa into compliance with a change in federal law.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Not applicable.

Text of Proposed Rulemaking

ITEM 1. Amend subrule 16.11(3) as follows:

16.11(3) Withdrawals for the payment of tuition in connection with enrollment or attendance at a K-12 institution may not exceed a maximum of ~~$10,000~~ $20,000 per taxable year per beneficiary from all 529 plans.

ITEM 2. Amend subrule 16.13(2) as follows:

16.13(2) Qualified rollovers will be paid in one of the following ways once the form has been received by the contractor:

a. Directly to the account owner, provided that within 60 days of such distribution, the funds are recontributed from the account owner as described in paragraph 16.13(2)*"b," "c"* or *"d."*

b. Directly to another qualified tuition program for the benefit of the designated beneficiary.

c. Directly to another account designated beneficiary under a qualified tuition program who is a member of the family of the designated beneficiary with respect to which the distribution as made.

d. ~~Before January 1, 2026, directly~~ Directly to an ABLE account of the designated beneficiary or a member of the family of the designated beneficiary.

e. Notwithstanding any of the foregoing, any qualified rollover to a Roth IRA under Section 529 must be paid in a direct trustee-to-trustee transfer to a Roth IRA maintained for the benefit of such designated beneficiary.