

**CHAPTER 1163****IOWA EDUCATIONAL SAVINGS PLAN TRUST***H.F. 2550*

AN ACT relating to the Iowa educational savings plan trust and providing an effective date.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 12D.1, Code 1999, is amended by adding the following new subsection:

**NEW SUBSECTION. 0A.** "Account balance limit" means the maximum allowable aggregate balance of accounts established for the same beneficiary. Account earnings, if any, are included in the account balance limit.

Sec. 2. Section 12D.3, subsection 1, paragraph a, Code Supplement 1999, is amended to read as follows:

a. Each participation agreement may require a participant to agree to invest a specific amount of money in the trust for a specific period of time for the benefit of a specific beneficiary. A participant shall not be required to make an annual contribution on behalf of a beneficiary. The minimum contribution per beneficiary per year, in a year in which a participant is making a contribution, shall be fifty dollars, ~~and the~~ The maximum contribution that may be deducted for Iowa income tax purposes shall not exceed two thousand dollars per beneficiary per year adjusted annually to reflect increases in the consumer price index. However, the ~~The~~ treasurer of state ~~may~~ shall set a maximum, as necessary, an account balance limit to maintain compliance with section 529 of the Internal Revenue Code. A contribution shall not be permitted to the extent it causes the aggregate balance of all accounts established for the same beneficiary to exceed the applicable account balance limit.

Sec. 3. Section 12D.3, subsection 2, Code Supplement 1999, is amended to read as follows:

2. Beneficiaries designated in participation agreements may be designated from date of birth up to, but not including, their eighteenth birthday. A substitute beneficiary may be older than age eighteen provided that the substitute beneficiary is not older than the original beneficiary ~~when the substitution is made.~~

Sec. 4. Section 12D.3, subsection 5, paragraph a, Code Supplement 1999, is amended to read as follows:

a. A beneficiary under a participation agreement may be changed as permitted under rules adopted by the treasurer of state upon written request of the participant ~~prior to the date of admission of the beneficiary to an institution of higher education~~ as long as the substitute beneficiary is eligible for participation.

Sec. 5. Section 422.7, subsection 32, paragraph a, Code 1999, is amended by striking the paragraph and inserting in lieu thereof the following:

a. Subtract the maximum contribution that may be deducted for Iowa income tax purposes as a participant in the Iowa educational savings plan trust pursuant to section 12D.3, subsection 1, paragraph "a".

Sec. 6. **EFFECTIVE DATE.** This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 3, 2000