

541A.2 Individual development accounts.

A financial instrument known as an individual development account is established. An individual development account shall have all of the following characteristics:

1. The account is kept in the name of an individual account holder.
2. Deposits made to an individual development account shall be made in any of the following manners and are subject to the indicated conditions:
 - a.* Deposits made by the account holder.
 - b.* Deposits of a savings refund authorized under section 541A.3, subsection 1, due the account holder because of the account holder's deposits in the account holder's account.
 - c.* Deposits of individual development account moneys which are transferred from another individual account holder.
 - d.* A deposit made on behalf of the account holder by an individual or a charitable contributor. This type of deposit may include but is not limited to moneys to match the account holder's deposits.
3. The account earns income.
4. During a calendar year, an account holder may withdraw from the account holder's account the sum of the following:
 - a.* With the approval of the operating organization, amounts withdrawn for any of the following approved purposes:
 - (1) Educational costs at an accredited institution of higher education.
 - (2) Training costs for an accredited or licensed training program.
 - (3) Purchase of a primary residence.
 - (4) Capitalization of a small business start-up.
 - (5) An improvement to a primary residence which increases the tax basis of the property.
 - (6) Emergency medical costs for the account holder or for a member of the account holder's family. However, a withdrawal for this purpose is limited to once during the life of the account and the amount of the withdrawal shall not exceed ten percent of the account balance at the time of the withdrawal.
 - b.* At the account holder's discretion, if the account holder is at least fifty-nine and one-half years of age, any amount.
5. An account holder shall not withdraw moneys from the holder's account unless the withdrawal is authorized under subsection 4.
6. An adult account holder may transfer all or part of the assets in the account to any other account holder's account. An account holder who is less than eighteen years of age is prohibited from transferring account assets to any other account holder.

7. An individual development account closed in accordance with this subsection is not subject to the limitations and benefits provided by this chapter but is subject to state tax in accordance with the provisions of section 422.7, subsection 28, and section 450.4, subsection 6. An individual development account may be closed for any of the following reasons:

- a.* The account's operating organization determines that the account holder has withdrawn moneys from the account for a purpose other than authorized under subsection 4.
- b.* The account's operating organization determines there has been no activity in the account during the preceding twelve months.
- c.* The account holder changes the account holder's place of primary residence to a new location outside the general geographic area served by the operating organization and an operating organization is not available in the new location.
- d.* The account's operating organization withdraws from involvement with the individual development account project and another operating organization is not available to operate the account.

8. Subject to obtaining any necessary federal waivers, the department of human services shall not consider moneys in an individual development account and any earnings on the moneys in determining the eligibility or need of an individual for benefits or assistance or the amount of benefits or assistance under the family investment program under chapter 239B, the promoting independence and self-sufficiency through employment job opportunities and basic skills program, or any other program administered by the department of human services.

9. In the event of an account holder's death, the account may be transferred to the ownership of a contingent beneficiary or to the individual development account of another account holder. An account holder shall name contingent beneficiaries or transferees at the time the account is established and a named beneficiary or transferee may be changed at the discretion of the account holder. If the named beneficiary or transferee is deceased or otherwise cannot accept the transfer, the moneys shall be transferred to the reserve pool.

10. The total amount of sources of principal which may be in an individual development account shall be limited to fifty thousand dollars.

93 Acts, ch 97, §17; 96 Acts, ch 1106, § 9, 10; 97 Acts, ch 41, § 32