

12D.1 Purpose and definitions.

1. The general assembly finds that the general welfare and well-being of the state are directly related to educational levels and skills of the citizens of the state, and that a vital and valid public purpose is served by the creation and implementation of programs which encourage and make possible the attainment of formal education by the greatest number of citizens of the state. The general welfare of the citizens of the state will be enhanced by establishing a program which allows citizens of the state to invest money in a public trust for future application to the payment of qualified education expenses. The creation of the means of encouragement for citizens to invest in such a program represents the carrying out of a vital and valid public purpose. In order to make available to the citizens of the state an opportunity to fund future formal education needs, it is necessary that a public trust be established in which moneys may be invested for future educational use.

2. As used in [this chapter](#), unless the context otherwise requires:

a. “*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.

b. “*Administrative fund*” means the administrative fund established under [section 12D.4](#).

c. “*Beneficiary*” means the individual designated by a participation agreement to benefit from advance payments of qualified education expenses on behalf of the beneficiary.

d. “*Benefits*” means the payment of qualified education expenses on behalf of a beneficiary by the trust during the beneficiary’s attendance at a qualified educational institution.

e. “*Institution of higher education*” means an institution described in section 481 of the federal Higher Education Act of 1965, 20 U.S.C. §1088, which is eligible to participate in the United States department of education’s student aid programs.

f. “*Internal Revenue Code*” means the same as defined in [section 12I.1](#).

g. “*Iowa educational savings plan trust*” or “*trust*” means the trust created under [section 12D.2](#).

h. “*Participant*” means an individual, individual’s legal representative, trust, estate, or an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Internal Revenue Code, that has entered into a participation agreement under [this chapter](#) for the advance payment of qualified education expenses on behalf of a beneficiary.

i. “*Participation agreement*” means an agreement between a participant and the trust entered into under [this chapter](#).

j. “*Program fund*” means the program fund established under [section 12D.4](#).

k. “*Qualified education expenses*” means the same as “*qualified higher education expenses*” as defined in section 529(e)(3) of the Internal Revenue Code, as amended by Pub. L. No. 115-97, and shall include elementary and secondary school expenses for tuition described in section 529(c)(7) of the Internal Revenue Code, subject to the limitations imposed by section 529(e)(3)(A) of the Internal Revenue Code. “*Qualified education expenses*” includes expenses for the participation in an apprenticeship program registered and certified with the United States secretary of labor under section 1 of the National Apprenticeship Act, 29 U.S.C. §50, and amounts paid as principal or interest on any qualified education loan on behalf of a beneficiary or a sibling of the beneficiary, subject to the limitations imposed by section 529(c)(9)(B) and (C) of the Internal Revenue Code.

l. “*Qualified education loan*” means the same as “*qualified education loan*” as defined in section 221(d) of the Internal Revenue Code.

m. “*Qualified educational institution*” means an institution of higher education, or any elementary or secondary public, private, or religious school described in section 529(c)(7) of the Internal Revenue Code.

n. “*Sibling*” means a brother, sister, stepbrother, or stepsister of the beneficiary.

o. “*Tuition*” means the quarter, semester, or annual charges imposed to attend a qualified educational institution and required as a condition of enrollment or attendance.

98 Acts, ch 1172, §1; 2000 Acts, ch 1163, §1, 6; 2004 Acts, ch 1079, §1, 17; 2008 Acts, ch 1032, §201; 2016 Acts, ch 1107, §1, 2, 5; 2018 Acts, ch 1161, §135, 147, 148; 2020 Acts, ch 1118, §127, 128, 131, 132

Referred to in §422.7(32)(c)

2018 amendment applies retroactively to January 1, 2018, for withdrawals from the Iowa educational savings plan trust made on or after that date; 2018 Acts, ch 1161, §148

2020 amendments to subsection 2 apply retroactively to January 1, 2019, for tax years beginning on or after that date; 2020 Acts, ch 1118, §132

Subsection 2, paragraph k amended

Subsection 2, NEW paragraphs l and n and former paragraphs l and m redesignated as m and o, respectively