12D.9 Tax considerations.

1. For federal income tax purposes, the Iowa educational savings plan trust shall be considered a qualified state tuition program exempt from taxation pursuant to section 529 of the Internal Revenue Code. The Iowa educational savings plan trust meets the requirements of section 529(b), of the Internal Revenue Code, as follows:

a. Pursuant to section 12D.3, subsection 1, a participant may make contributions to an account which is established for the purpose of meeting the qualified education expenses of the designated beneficiary of the account.

b. Pursuant to section 12D.3, subsection 1, a maximum contribution level is established.

c. Pursuant to section 12D.4, subsection 1, paragraph *"b"*, a separate account is established for each beneficiary.

d. Pursuant to section 12D.4, subsection 1, paragraph *"c"*, contributions may only be made in the form of cash.

e. Pursuant to section 12D.4, subsection 1, paragraph *"d"*, a participant or beneficiary shall not provide investment direction regarding program contributions or earnings held by the trust.

f. Pursuant to section 12D.6, subsection 6, a participant shall not pledge any interest in the trust as security for a loan.

2. State income tax treatment of the Iowa educational savings plan trust shall be as provided in section 422.7, subsections 11, 22, and 23.

3. State inheritance tax treatment of interests in Iowa educational savings plans shall be as provided in section 450.4, subsection 8. This subsection shall apply to all Iowa educational savings plans existing on or after July 1, 1998.

98 Acts, ch 1172, §9; 99 Acts, ch 122, §9, 10; 2003 Acts, ch 142, §2, 11; 2004 Acts, ch 1079, §13, 14, 17; 2005 Acts, ch 179, §107; 2008 Acts, ch 1164, §1; 2018 Acts, ch 1161, §99, 133, 134, 143, 147, 148; 2021 Acts, ch 177, §1

2018 amendment to subsection 2 is effective January 1, 2023, and applies to tax years beginning on or after that date; 2018 Acts, ch 1161, §133, 134; 2021 Acts, ch 177, §1