12D.3 Participation agreements for trust.

The trust may enter into participation agreements with participants on behalf of beneficiaries pursuant to the following terms and agreements:

1. 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 maximum contribution that may be deducted for Iowa income tax purposes shall not exceed five thousand five hundred dollars per beneficiary per year adjusted annually to reflect increases in the consumer price index. The treasurer of state shall set 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 under the trust to exceed the applicable account balance limit.

2. The execution of a participation agreement by the trust shall not guarantee in any way that qualified education expenses will be equal to projections and estimates provided by the trust or that the beneficiary named in any participation agreement will attain any of the following:

a. Be admitted to a qualified educational institution.

b. If admitted, be determined a resident for tuition purposes by the qualified educational institution.

c. Be allowed to continue attendance at the qualified educational institution following admission.

d. Graduate from the qualified educational institution.

3. *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 as long as the substitute beneficiary is eligible for participation.

b. Participation agreements may otherwise be freely amended throughout their terms in order to enable participants to increase or decrease the level of participation, change the designation of beneficiaries, and carry out similar matters as authorized by rule.

4. Each participation agreement shall provide that the participation agreement may be canceled upon the terms and conditions, and upon payment of applicable fees and costs set forth and contained in the rules adopted by the treasurer of state.

5. A participant may designate a successor in accordance with rules adopted by the treasurer of state. The designated successor shall succeed to the ownership of the account in the event of the death of the participant. In the event a participant dies and has not designated a successor to the account, the following criteria shall apply:

a. The beneficiary of the account, if eighteen years of age or older, shall become the owner of the account as well as remain the beneficiary upon filing the appropriate forms in accordance with rules adopted by the treasurer of state.

b. If the beneficiary of the account is under the age of eighteen, account ownership shall be transferred to the first surviving parent or other legal guardian of the beneficiary to file the appropriate forms in accordance with rules adopted by the treasurer of state.

98 Acts, ch 1172, §3; 99 Acts, ch 122, §2 – 4, 10; 2000 Acts, ch 1163, §2 – 4, 6; 2004 Acts, ch 1079, §7, 8, 17; 2018 Acts, ch 1161, §137, 138, 147, 148; 2024 Acts, ch 1147, §1, 3

Referred to in §12D.9, 12I.3, 12I.10, 422.7(22)(a)

2024 amendment to subsection 1 applies retroactively to January 1, 2024, for tax years beginning on or after that date; 2024 Acts, ch 1147, §3