

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. *a.* To be eligible to open an account, a prospective account holder must have a household income that is equal to or less than two hundred percent of the federal poverty level.

b. The account shall be 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 individual development account moneys which are transferred from another individual account holder.

c. 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, with the approval of the operating organization, an account holder may make withdrawals from the account holder's account for any of the following authorized purposes:

a. Educational costs at an accredited institution of higher education.

b. Training costs for an accredited or licensed training program.

c. Purchase of a primary residence.

d. Capitalization of a small business start-up.

e. An improvement to a primary residence which increases the tax basis of the property.

f. 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.

g. A purpose authorized in accordance with rule for a refugee individual development account.

h. Purchase of an automobile.

i. Purchase of assistive technology, home or vehicle modification, or other device or physical improvement to assist an account holder or family member with a disability.

j. Other purpose authorized in accordance with rule that is intended to move the account holder or a family member toward a higher degree of self-sufficiency.

5. 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.

6. 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 17](#), and in accordance with the provisions of [section 450.4, subsection 6](#), for a death occurring before January 1, 2025. 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.

7. Subject to obtaining any necessary federal waivers, the department 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.

8. 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.

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

[93 Acts, ch 97, §17; 96 Acts, ch 1106, §9, 10; 97 Acts, ch 41, §32; 2006 Acts, ch 1016, §3, 4, 8; 2008 Acts, ch 1178, §11, 12, 17; 2009 Acts, ch 70, §1, 2, 5; 2023 Acts, ch 19, §1225; 2025 Acts, ch 148, §36, 53, 54](#)

Referred to in [§541A.1](#)

2025 amendment to subsection 6, unnumbered paragraph 1 applies retroactively to January 1, 2025, to the estates of decedents dying on or after January 1, 2025; 2025 Acts, ch 148, §54

Subsection 6, unnumbered paragraph 1 amended