

CHAPTER 16
IOWA EDUCATIONAL SAVINGS PLAN TRUST

Chapter rescission date pursuant to Iowa Code section 17A.7: 1/1/28

781—16.1(12D) Purpose. The purpose of these rules is to provide for the administration and operation of the Iowa educational savings plan trust.

[ARC 4463C, IAB 5/22/19, effective 6/26/19]

781—16.2(12D) Definitions. In addition to the terms defined in Iowa Code section 12D.1, the following terms apply to this chapter:

“*ABLE account*” means an account as defined in Section 529A of the Internal Revenue Code.

“*Account*” means an account established and maintained under the Iowa educational savings plan trust for a beneficiary.

“*Account balance*” means the fair market value of an account.

“*Account balance limit*” means the amount determined periodically by the program administrator as necessary to provide for the qualified higher education expenses of a beneficiary in accordance with Section 529. The account balance limit shall apply to the total of all accounts in the plans for the benefit of a beneficiary.

“*Account owner*” means the same as “participant” as defined in Iowa Code section 12D.1.

“*Adjusted maximum annual amount*” means the amount that an account owner may annually contribute to an account for a beneficiary and deduct from Iowa income taxes pursuant to Iowa Code chapter 422.

“*Beneficiary*” means the individual designated as the beneficiary of an account.

“*Contractor*” means any party retained by the program administrator to assist in the day-to-day operations of a plan, including record-keeping, investment advisory and administrative services. The program administrator may delegate any responsibilities with respect to day-to-day operations of a plan to one or more contractors.

“*Contribution*” means an amount contributed to an account in accordance with the Internal Revenue Code, these rules and the applicable program description.

“*Eligible educational institution*” means an eligible educational institution as defined in Section 529.

“*IAdvisor 529 plan*” means the name and logo registered to represent the advisor-sold plan under the Iowa educational savings plan trust.

“*Internal Revenue Code*” means the Internal Revenue Code as effective on July 1, 2024.

“*ISave 529*” means the name and logo registered under Iowa law to represent the direct-sold plan under the Iowa educational savings plan trust.

“*K-12 institution*” means any elementary or secondary public, private, or religious school as defined in Section 529 of the Internal Revenue Code.

“*Member of the family*” means a member of the family as defined in Section 529, except that for a qualified rollover to an ABLE account, “member of the family” shall mean as defined in Section 529A of the Internal Revenue Code.

“*Nonqualified withdrawal*” means a withdrawal from an account that is not a qualified withdrawal or a qualified rollover.

“*Participation agreement*” means the form that the account owner submits to the plan to identify the account owner, beneficiary, plan, and other information that may be requested by the plan.

“*Plan*” means either (1) ISave 529, (2) IAdvisor 529 plan, or (3) any other college savings plan established by the program administrator under the Iowa educational savings plan trust.

“*Program administrator*” means the treasurer of state.

“*Program description*” means the description of each plan provided to account owners setting forth information with respect to the plan.

“*Qualified higher education expenses*” means qualified higher education expenses as defined in Section 529. Any reference to qualified higher education expenses includes a reference to expenses for

tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school as defined in Section 529.

“*Qualified rollover*” means a distribution of amounts from a plan, which, within 60 days of such distribution, is transferred: (1) to another qualified tuition program for the benefit of the same beneficiary, provided that it has been at least 12 months from the date of a previous transfer to a qualified tuition program for that beneficiary; (2) to another qualified tuition program (or an account in another plan) for the benefit of a member of the family of the beneficiary; or (3) to an ABLE account for the beneficiary or member of the family of the beneficiary, subject to ABLE account contribution limits. “Qualified rollover” also means a distribution from a plan made in a direct transfer-to-trustee transfer to a Roth IRA in accordance with the rules under 529(c)(3)(E) of the Internal Revenue Code.

“*Qualified withdrawal*” means a withdrawal from an account used to pay qualified higher education expenses.

“*Section 529*” means Section 529 of the Internal Revenue Code.

“*Successor account owner*” means a successor to the ownership of an account designated as such in accordance with rule 781—16.10(12D) and the applicable program description.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.3(12D) Participation agreement and program description. The following material shall be used to administer the Iowa educational savings plan trust.

16.3(1) Each account owner shall submit a participation agreement in order to open an account. The participation agreement shall be signed and dated by the account owner to verify that the account owner agrees to the terms and conditions of the program. For online applications, the account owner must confirm that the account owner has read the terms and conditions prior to submitting the application.

16.3(2) Each plan will have a program description setting forth the terms of the plan and describing the investments, procedures and fees applicable to that plan. Each program description shall also set forth the privacy policy adopted by the program administrator for that plan. Persons interested in a plan should consult the program description. A program description may be changed at any time by the program administrator, and any such change may impact the rights of account owners and beneficiaries under the plan.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.4(12D) Forms.

16.4(1) Appropriate forms must be completed on paper, online or via telephone (whichever is applicable for the requested actions) to perform the actions listed below. Current forms are available online at ISave529.com for ISave 529 and at www.iowaadvisor529.com for the IAdvisor 529 plan. Actions that require the completion of an appropriate form include the following:

- a. Participation.
 - (1) Open or close an account.
 - (2) Reserved.
- b. Account changes.
 - (1) Update the account owner or beneficiary contact information.
 - (2) Change the beneficiary.
 - (3) Add, change or remove a successor or interested party.
 - (4) Transfer ownership rights of an account to another person.
- c. Investment changes.
 - (1) Exchange existing investments.
 - (2) Change the direction of future contributions.
- d. Contribution changes.
 - (1) Establish, delete or change automatic investments or payroll deduction.
 - (2) Establish, delete or change banking information.
 - (3) Establish or make an electronic bank transfer or an additional purchase by check.
 - (4) Transfer funds from a qualified U.S. savings bond, education savings account or another 529 plan (directly or indirectly).

e. Withdrawals.

- (1) Request a full or partial withdrawal.
- (2) Request a qualified rollover.

f. Authorization.

(1) Establish, delete or change an authorized agent, limited power of attorney or power of attorney on an account.

(2) Authorize or change a financial advisor or agent who can obtain information regarding the account.

(3) Identify the current trustee of a trust.

(4) Identify officers of an organization who can act upon an account.

16.4(2) The contractor may from time to time provide additional forms for use by account owners and beneficiaries in connection with actions involving a plan and will make those forms available online and in paper format and may authorize substitute forms for a plan or a process in lieu of existing forms.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.5(12D) Account owner eligibility. Account owners must meet the following requirements:

16.5(1) The account owner must be 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.

16.5(2) An individual account owner must be at least 18 years old and a United States citizen or resident alien with a valid social security number or tax identification number.

16.5(3) An account owner shall execute a participation agreement that specifies the plan selected by the account owner and the terms and conditions under which the account owner shall participate in the trust.

16.5(4) An account owner shall, on signing a participation agreement, provide the plan with the account owner's social security number or tax identification number and the other information required on the participant agreement.

16.5(5) Account owners that are trusts must submit evidence that the individual trustee is so authorized and agrees to the terms and conditions of the participation agreement and must provide the information requested by the program administrator. Account owners that are described in Section 501(c)(3) of the Internal Revenue Code must provide their tax identification number and any other information requested by the program administrator.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.6(12D) Beneficiary eligibility. A beneficiary of a participation agreement may be designated at any time after birth and assignment of a social security number. This rule establishes the eligibility criteria for a beneficiary.

16.6(1) A beneficiary may be a resident of any state.

16.6(2) An account owner shall, on signing a participation agreement, provide the contractor a valid social security number for the beneficiary.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.7(12D) Program administrator rights and responsibilities.

16.7(1) The program administrator reserves the right to:

a. Freeze an account or suspend account services or do both when a plan has received reasonable notice of a dispute regarding the assets in an account, including notice of a dispute in account ownership or when the plan reasonably believes a fraudulent transaction may occur or has occurred;

b. Freeze an account or suspend account services or do both upon the notification to the plan of the death of an account owner until the plan receives required documentation in good order and reasonably believes that it is lawful to transfer the account ownership to the successor account owner;

c. Redeem an account, without the account owner's permission, in cases of threatening conduct or suspicious, fraudulent, or illegal activity; and

d. Reject a contribution for any reason, including contributions that the plan believes are not in the best interests of the plan, a portfolio, or the account owners.

16.7(2) The risk of market loss, tax implications, penalties, and any other expenses, as a result of such an account freeze, account redemption, or contribution rejection, will be solely the account owner's responsibility.

16.7(3) The contractor will provide each account owner a fourth-quarter statement. In addition, the program administrator will provide each account owner that had an account with either contributions or withdrawals in the first, second, or third quarter with a quarterly statement for that account.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.8(12D) Contributions. Contributions are deductible in accordance with Iowa income tax laws and administrative rules of the department of revenue. Participation agreements shall be for the benefit of a specific beneficiary. This rule provides for implementation of this provision.

16.8(1) Account owners are allowed to make contributions at any time during the calendar year provided that each contribution is made in accordance with the minimum contribution and other requirements set forth in the program description.

16.8(2) The program administrator shall actuarially determine the account balance limit. No additional contributions may be made on behalf of a beneficiary if the total of the account balances of all accounts held for the beneficiary exceeds the applicable account balance limit.

16.8(3) The program administrator shall determine the adjusted maximum annual amount that an account owner may contribute and deduct from Iowa income taxes pursuant to Iowa Code chapter 422 on behalf of a beneficiary for the calendar year by applying the applicable inflation adjustment. The adjusted annual maximum amount shall be communicated to participants in the plans and to the public in any reasonable manner determined by the program administrator.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.9(12D) Substitution or change of beneficiary. Beneficiaries may be changed subject to the rules and regulations of the program administrator. This rule establishes the criteria for substituting one beneficiary for another. Beneficiary changes shall also be subject to the procedures set forth in the applicable program description.

16.9(1) At the time of the substitution, the substitute beneficiary must be an eligible beneficiary pursuant to rule 781—16.6(12D) and must be a member of the family of the beneficiary being replaced.

16.9(2) An account owner may request that a beneficiary be substituted by submitting the appropriate form to the contractor.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.10(12D) Change of account owner. The account owner is the owner of the account and, as such, has the exclusive right to cancel the participation agreement or change the designated beneficiary in accordance with these rules and the applicable program description.

16.10(1) An account owner may transfer the account owner's current ownership rights in an account to another eligible individual, an individual's legal representative, a trust, an 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 or to a beneficiary. To do so, the account owner shall complete the appropriate form.

16.10(2) An account owner may also designate a successor on the participation agreement. An account owner may change the designated successor by completing the appropriate form. The designated successor shall succeed to the ownership of the account in the event of the death of the account owner. Upon the death of the account owner, the successor account owner must notify the plan by submitting a completed participant agreement form and a certified copy of the death certificate. The change in ownership of the account will become effective for the successor account owner once this paperwork has been received and processed.

16.10(3) In the event an account owner dies and has not designated a successor to the account, the following criteria will be used.

a. The designated beneficiary, if 18 years of age or older, shall become the owner of the account as well as remain the beneficiary upon filing the appropriate forms.

b. If the designated beneficiary is under the age of 18, account ownership will be transferred to a surviving parent or other legal guardian of the beneficiary upon the filing of the appropriate forms.

16.10(4) The account owner may name a successor to the account even though the successor may already have established or may have plans to establish a plan account.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.11(12D) Qualified withdrawals. This rule establishes the procedures for the payment of qualified withdrawals.

16.11(1) The account owner must initiate a withdrawal for qualified or nonqualified withdrawals. The account owner must file the appropriate form with the contractor.

16.11(2) Qualified withdrawals will be paid in one of three ways once the form has been received by the contractor:

a. Directly to the eligible educational institution or K-12 institution only.

b. Directly to the account owner.

c. Directly to the beneficiary at eligible educational institutions only.

16.11(3) Withdrawals for the payment of tuition in connection with enrollment or attendance at a K-12 institution may not exceed a maximum of \$20,000 per taxable year per beneficiary from all 529 plans.

16.11(4) Each qualified withdrawal will be comprised partly of contributions and partly of earnings, based upon the same proportion that contributions and earnings comprise the account owner's account at the time of the withdrawal.

16.11(5) Funds that are distributed to an account owner pursuant to this rule shall be reported to the IRS on a 1099-Q in the tax year in which the withdrawal is made. The account owner will receive the 1099-Q for any withdrawal paid to the account owner. The beneficiary will receive the 1099-Q for any withdrawal paid to the beneficiary or institution of higher education. The individual receiving the 1099-Q must determine whether the withdrawal was qualified or nonqualified.

16.11(6) An account owner may transfer any remaining balance in one account to an existing or new account for another designated beneficiary by completing a new participation agreement with the contractor.

16.11(7) The Iowa state income tax treatment of contributions to and withdrawals from an account shall be as set forth in Iowa Code chapter 422.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25; ARC 9774C, IAB 11/26/25, effective 12/31/25]

781—16.12(12D) Nonqualified withdrawals and cancellation. Iowa Code section 12D.5 provides that any account owner may cancel a participation agreement at will. This rule establishes the criteria for nonqualified withdrawals from an account or for the cancellation of a participation agreement.

16.12(1) A nonqualified withdrawal is one in which the funds are used for a purpose other than the payment of or reimbursement for qualified educational expenses. An account owner may at any time make a nonqualified withdrawal of a portion of the amount in an account or cancel a participation agreement, without cause, by submitting to the contractor the appropriate form. A nonqualified withdrawal will be paid only to the account owner.

16.12(2) If the participation agreement is canceled, the account owner is entitled to the amount in the account, subject to any applicable fees and expenses. The balance shall be mailed or otherwise sent to the account owner after receipt by the contractor of the appropriate form.

16.12(3) Funds that are distributed to an account owner in a nonqualified withdrawal pursuant to this rule shall be reported to the IRS on a 1099-Q in the tax year in which such withdrawal is made. The account owner will receive the 1099-Q for any nonqualified withdrawals. The individual receiving the 1099-Q must determine whether the withdrawal was qualified or nonqualified. Nonqualified withdrawals may be subject to state and federal taxes and penalties.

[ARC 4463C, IAB 5/22/19, effective 6/26/19; ARC 8845C, IAB 1/22/25, effective 2/26/25]

781—16.13(12D) Qualified rollover. This rule establishes the procedures for the payment of a qualified rollover.

16.13(1) The account owner must initiate a rollover and must file the appropriate form with the contractor.

16.13(2) Qualified rollovers will be paid in one of the following ways once the form has been received by the contractor:

a. Directly to the account owner, provided that within 60 days of such distribution, the funds are recontributed from the account owner as described in paragraph 16.13(2) “*b*,” “*c*” or “*d*.”

b. Directly to another qualified tuition program for the benefit of the designated beneficiary.

c. Directly to another account designated beneficiary under a qualified tuition program who is a member of the family of the designated beneficiary with respect to which the distribution as made.

d. Directly to an ABLE account of the designated beneficiary or a member of the family of the designated beneficiary.

e. Notwithstanding any of the foregoing, any qualified rollover to a Roth IRA under Section 529 must be paid in a direct trustee-to-trustee transfer to a Roth IRA maintained for the benefit of such designated beneficiary.

16.13(3) Rollovers to a Roth IRA with respect to a designated beneficiary for such taxable year and all prior taxable years may not exceed thresholds set out in Section 529.

16.13(4) Each qualified rollover will be comprised partly of contributions and partly of earnings, based upon the same proportion that contributions and earnings comprise the account owner’s account at the time of the rollover.

16.13(5) Funds that are distributed to an account owner pursuant to this rule shall be reported to the IRS on a 1099-Q in the tax year in which the rollover or withdrawal is made. The beneficiary will receive the 1099-Q for any withdrawal or rollover paid to the beneficiary. The individual receiving the 1099-Q must determine whether the rollover was qualified or nonqualified.

16.13(6) The Iowa state income tax treatment of a qualified rollover from an account shall be as set forth in Iowa Code chapter 422. A rollover that is not a qualified rollover shall be treated as a nonqualified withdrawal.

[ARC 8845C, IAB 1/22/25, effective 2/26/25; ARC 9774C, IAB 11/26/25, effective 12/31/25]

781—16.14(12D) Garnishment. Pursuant to Iowa Code section 642.2, funds held by the program administrator under the trust are not subject to garnishment.

[ARC 4463C, IAB 5/22/19, effective 6/26/19]

781—16.15(12D) Appeal of decisions. An account owner may appeal any decision of the program administrator under these rules and with respect to the plan.

16.15(1) An account owner may utilize the appeals process after receipt of the decision from the program administrator.

16.15(2) Failure to submit the appeal request within 30 calendar days of receipt of the decision from the program administrator shall constitute an acceptance of the decision.

16.15(3) The account owner shall submit to the program administrator a written request for an appeal along with all supporting documentation.

16.15(4) The program administrator shall contact the account owner and schedule an appeal meeting within 30 calendar days of receipt of the account owner’s appeal request.

16.15(5) An appeal review shall be conducted at which time the account owner shall present evidence supporting the account owner’s basis for the appeal.

16.15(6) Based on the evidence and additional information presented during the appeal, the program administrator will render a final decision. Such final decision will be written and sent to the account owner within 30 calendar days of the appeal meeting.

[ARC 4463C, IAB 5/22/19, effective 6/26/19]

These rules are intended to implement Iowa Code chapter 12D.

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