

CHAPTER 16
IOWA EDUCATIONAL SAVINGS PLAN TRUST

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.

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

“*Academic period*” means one semester or one quarter or such other equivalent period as may be defined by the qualified institution of higher education.

“*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.

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

“*Iowa 529 plan*” means college savings Iowa, the Iowa advisor 529 plan, and any other college savings plan established by the program administrator, collectively, under the Iowa educational savings plan trust.

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

“*Payments*” means the money paid by the participant to the trust under the participation agreement.

“*Plan*” means either (1) college savings Iowa, (2) Iowa advisor 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 participants setting forth information with respect to the plan.

“*Qualified higher education costs*” means tuition, fees, and the cost of books, supplies and equipment required for the enrollment or attendance of the beneficiary at a qualified institution of higher education. Room and board shall be treated as qualified higher education costs for a beneficiary, subject to maximum annual dollar amounts determined by the program administrator, if room and board are incurred during an academic period in which the beneficiary is enrolled or accepted for enrollment in a degree, certificate or other program that leads to a recognized educational credential (such as a bachelor’s degree or an associate’s degree) awarded by a qualified institution of higher education. The beneficiary must be enrolled at least half-time for board expenses to be qualified.

“*Qualified institution of higher education*” means an institution described in Section 481 of the federal Higher Education Act of 1965 that is eligible to participate in the United States Department of Education’s student aid programs. State universities in Iowa and other states qualify, as do community colleges and private accredited four-year and two-year colleges. Some vocational and technical schools qualify as well.

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) “Participation agreement” means the form that the participant submits to the program administrator to identify the participant, beneficiary, plan, and other information that may be requested by the program administrator. The participation agreement shall be signed and dated by the participant to verify that the participant agrees to the terms and conditions of the program. For online applications, participants must confirm that they have 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 and procedures applicable to that plan. Persons interested in a plan should consult the plan description. A plan description may be changed at any time by the program administrator, and any such change may impact the rights of participants and beneficiaries under the plan.

781—16.4(12D) Forms.

16.4(1) Appropriate forms must be completed in paper, online or via telephone (whichever is applicable for the requested actions) to perform the actions listed. Current forms are available online at www.collegesavingsiowa.com for college savings Iowa and at www.iowaadvisor529.com for the Iowa advisor 529 plan. Actions which require the completion of an appropriate form include the following:

- a. Terminate a participation agreement.
- b. Transfer ownership rights of an Iowa 529 plan account to another person pursuant to Iowa Code section 12D.6(5).
- c. Request the substitution of a beneficiary.
- d. Exchange investments.
- e. Establish, delete or change automatic investments.
- f. Establish, delete or change banking information.
- g. Request a qualified withdrawal.
- h. Request an allocation update.
- i. Request for payroll deduction.
- j. Establish, delete or change electronic bank transfer information.
- k. Establish, delete or change interested party information.
- l. Establish, delete or change successor information.
- m. Change E-mail address on file.
- n. Change address on file.
- o. Request a rollover to another 529 plan.
- p. Establish, delete or change power of attorney on an account.
- q. Change beneficiary information on an account.

16.4(2) The program administrator may from time to time provide additional forms for use by participants and beneficiaries in connection with actions involving the Iowa 529 plan and will make those forms available online and in paper format.

781—16.5(12D) Participant eligibility. Iowa Code section 12D.3 provides that the trust may enter into participation agreements with participants to effectuate the purposes, objectives and provisions of the trust. This rule establishes the eligibility criteria for a participant.

16.5(1) A participant must be at least 18 years old and a resident of the United States.

16.5(2) A participant shall execute a participation agreement with the program administrator that specifies the plan selected by the participant and the terms and conditions under which the participant shall participate in the trust.

16.5(3) A participant shall, on signing a participation agreement, provide the program administrator with the participant's social security number.

781—16.6(12D) Beneficiary eligibility. A beneficiary of a participation agreement may be designated anytime 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) A participant shall, on signing a participation agreement, provide the program administrator a valid social security number for the beneficiary.

781—16.7(12D) Payments and payment schedules. Iowa Code section 12D.3(1) states that participation agreements may require participants 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. This rule provides for implementation of this provision.

16.7(1) The program administrator will provide each participant a quarterly statement. Participants 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.

16.7(2) The program administrator shall actuarially determine an account balance limit applicable to all accounts of each beneficiary. No additional payments may be made on behalf of a beneficiary if the account balances of all accounts held for the beneficiary exceed the applicable account balance limit.

16.7(3) Beginning in 2000 and each year thereafter, the program administrator shall determine the maximum amount that a participant 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 shall be communicated to participants in Iowa 529 plans and to the public in any reasonable manner determined by the program administrator.

781—16.8(12D) Substitution or change of beneficiary. Iowa Code section 12D.3(3)“a” provides that beneficiaries may be changed subject to the rules and regulations of the treasurer of state. 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.

16.8(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 substituted as defined by the IRS. That definition may be found at Internal Revenue Code Section 529(e).

16.8(2) A participant may request that a beneficiary be substituted by submitting the appropriate form to the program administrator.

781—16.9(12D) Change of participant or account owner. The participant is the initial owner of the account established under an Iowa 529 plan 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.

16.9(1) A participant may transfer the participant’s current ownership rights in an account to another eligible individual or to a minor beneficiary. To do so, the participant shall complete the appropriate form.

16.9(2) A participant may also designate on the participation agreement a successor, who shall succeed to the ownership of the account in the event of the death of the participant. A participant may change the designated successor by completing the appropriate form.

16.9(3) In the event a participant or other 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 at the time of the participant’s death, shall become the owner of the Iowa 529 plan account as well as remaining the beneficiary.

b. If the designated beneficiary is under the age of 18, account ownership will be transferred to the beneficiary’s surviving parent or other legal guardian.

16.9(4) The participant may name a successor to the account even though the successor may already have established or may have plans to establish an Iowa 529 plan account.

781—16.10(12D) Payment of benefits and qualified distributions. This rule establishes the procedures for the payment of benefits.

16.10(1) The participant must initiate distributions for qualified or nonqualified expenses. The participant must file the appropriate form with the program administrator.

16.10(2) Benefits will be paid in one of three ways once the request has been received by the program administrator:

a. Directly to the institution of higher education for qualified expenses only.

b. Directly to the participant for qualified or nonqualified expenses.

c. Directly to the beneficiary for qualified expenses only.

16.10(3) Each distribution of benefits will be comprised partly of contributions and partly of earnings, based upon the same proportion that contributions and earnings comprise the participant’s account at the time of the distribution.

16.10(4) Funds that are distributed to a participant pursuant to this rule shall be reported to the IRS on a 1099Q in the tax year in which such distribution is made. The participant will receive the 1099Q for any distributions made to the participant. The beneficiary will receive the 1099Q for any distributions

made to the beneficiary or institution of higher education. The individual receiving the 1099Q must determine whether the distribution was qualified or nonqualified. Nonqualified distributions may be subject to state and federal taxes and penalties.

16.10(5) A participant 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 program administrator.

781—16.11(12D) Withdrawals and cancellation. Iowa Code section 12D.5 provides that any participant may cancel a participation agreement at will. This rule establishes the criteria for withdrawals from or the cancellation of a participation agreement.

16.11(1) A participant may at any time withdraw a portion of the amount in an account or cancel a participation agreement, without cause, by submitting to the program administrator the appropriate form.

16.11(2) If the participation agreement is canceled, the participant 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 participant after receipt by the program administrator of the appropriate form.

16.11(3) Funds that are distributed to a participant pursuant to this rule shall be reported to the IRS on a 1099Q in the tax year in which such distribution is made. The participant will receive the 1099Q for any distributions made to the participant. The beneficiary will receive the 1099Q for any distributions made to the beneficiary or institution of higher education. The individual receiving the 1099Q must determine whether the distribution was qualified or nonqualified. Nonqualified distributions may be subject to state and federal taxes and penalties.

16.11(4) Pursuant to Iowa Code section 642.2, funds held by the program administrator under the Iowa 529 plan are not subject to garnishment.

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

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