

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. Before January 1, 2026, 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.

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