

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 \$10,000 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]