

Boal
Hoffman
Freyer

HSB 588

WAYS AND MEANS

Succeeded By

SENATE/HOUSE FILE ~~SF/HF~~ 2530
BY (PROPOSED TREASURER
OF STATE BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the Iowa educational savings plan trust and
2 providing an effective date.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 12D.1, Code 1999, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 0A. "Account balance limit" means the
4 maximum allowable aggregate balance of accounts established
5 for the same beneficiary. Account earnings, if any, are
6 included in the account balance limit.

7 Sec. 2. Section 12D.3, subsection 1, paragraph a, Code
8 Supplement 1999, is amended to read as follows:

9 a. Each participation agreement may require a participant
10 to agree to invest a specific amount of money in the trust for
11 a specific period of time for the benefit of a specific
12 beneficiary. A participant shall not be required to make an
13 annual contribution on behalf of a beneficiary. The minimum
14 contribution per beneficiary per year, in a year in which a
15 participant is making a contribution, shall be fifty dollars,
16 ~~and the.~~ The maximum contribution that may be deducted for
17 Iowa income tax purposes shall not exceed two thousand dollars
18 per beneficiary per year adjusted annually to reflect
19 increases in the consumer price index. However, ~~the~~ The
20 treasurer of state may shall set a maximum, as necessary, an
21 account balance limit to maintain compliance with section 529
22 of the Internal Revenue Code. A contribution shall not be
23 permitted to the extent it causes the aggregate balance of all
24 accounts established for the same beneficiary to exceed the
25 applicable account balance limit.

26 Sec. 3. Section 12D.3, subsection 2, Code Supplement 1999,
27 is amended to read as follows:

28 2. Beneficiaries designated in participation agreements
29 may be designated from date of birth up to, but not including,
30 their eighteenth birthday. A substitute beneficiary may be
31 older than age eighteen provided that the substitute
32 beneficiary is not older than the original beneficiary when
33 ~~the substitution is made.~~

34 Sec. 4. Section 12D.3, subsection 5, paragraph a, Code
35 Supplement 1999, is amended to read as follows:

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1 a. A beneficiary under a participation agreement may be
2 changed as permitted under rules adopted by the treasurer of
3 state upon written request of the participant ~~prior-to-the~~
4 ~~date-of-admission-of-the-beneficiary-to-an-institution-of~~
5 ~~higher-education~~ as long as the substitute beneficiary is
6 eligible for participation.

7 Sec. 5. Section 422.7, subsection 32, paragraph a, Code
8 1999, is amended by striking the paragraph and inserting in
9 lieu thereof the following:

10 a. Subtract the maximum contribution that may be deducted
11 for Iowa income tax purposes as a participant in the Iowa
12 educational savings plan trust pursuant to section 12D.3,
13 subsection 1, paragraph "a".

14 Sec. 6. EFFECTIVE DATE. This Act, being deemed of
15 immediate importance, takes effect upon enactment.

16 EXPLANATION

17 This bill amends certain Code provisions relating to the
18 Iowa educational savings plan trust.

19 The bill defines an "account balance limit" to mean the
20 maximum allowable aggregate balance of accounts and account
21 earnings, established for the same beneficiary, and provides
22 that the treasurer of state will establish an account balance
23 limit for all accounts established for a designated
24 beneficiary beyond which contributions will not be permitted,
25 in order to maintain compliance with Internal Revenue Code
26 section 529. Currently, the maximum contribution limit is
27 established at \$2,000 per year, adjusted annually to reflect
28 changes in the consumer price index. The bill provides that
29 regardless of the level of contributions made, the maximum
30 contribution per contributor that will be deductible for state
31 income tax purposes cannot exceed the annually adjusted \$2,000
32 per beneficiary amount. The bill provides for corresponding
33 language in Code section 422.7, subsection 32, paragraph "a",
34 regarding the amount which can be deducted for Iowa income tax
35 purposes.

1 The bill additionally eliminates a provision which
2 prohibited the substitution of beneficiaries after the
3 original beneficiary has been admitted to college, and makes a
4 technical correction eliminating the qualification that a
5 substitute beneficiary not be older than the original
6 beneficiary "when the substitution is made".

7 The bill takes effect upon enactment.

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STATE OF IOWA

OFFICE OF TREASURER OF STATE

DES MOINES

50319-0005

MICHAEL L. FITZGERALD

TREASURER

TELEPHONE 515-281-5368

FAX 515-281-7562

November 23, 1999

To: Members of the Iowa General Assembly
Fr: Treasurer of State Michael L. Fitzgerald
Re: Iowa Educational Savings Plan Trust (12D)

My office is requesting changes to Chapter 12D as follows:

1. Add a definition of an "account balance limit" in 12D.1
2. Allow contributions up to the account balance limit in 12D.3 whether donated in one or more years. The amount allowed for a deduction would remain at the present \$2000 per account per year adjusted for inflation. The account balance limit is \$140,122. The change in the Iowa statute would permit
 - 1) a family with older children to save sufficient funds in Iowa's plan to finance college. The present limit of \$2000 per child makes it impossible for families with children above the grade school level to do so.
 - 2) taxpayers to use the federal gift tax provisions of IRC 529.
 - 3) Iowa participants to place additional funds with Iowa's 529 rather than investing in another state's 529 plan. Present IRS regulations do not restrict participants to one state plan. Those who wish to contribute more than \$2000 per child do so by investing out-of-state.
3. Eliminate a poorly worded phrase in 12D.3 (2).
4. Eliminate a phrase in 12D.3 (5) that makes it cumbersome for families to change beneficiaries. The requirement to substitute beneficiaries before the original beneficiary is admitted to college eliminates much needed flexibility for families and program administration.

Thank you for your consideration.

S-4-3 20 W. em
S. 4-6-00 No Pass

MAR 23 2000

WAYS & MEANS CALENDAR

HOUSE FILE 2550
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 588)

Passed House, Date ^(P. 1185) 4-3-00 Passed Senate, Date ^(P.) 4- -00
Vote: Ayes 96 Nays 2 Vote: Ayes _____ Nays _____
Approved March 3, 2000

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HF 2550

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HOUSE FILE 2550

AN ACT

RELATING TO THE IOWA EDUCATIONAL SAVINGS PLAN TRUST AND
PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 12D.1, Code 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 0A. "Account balance limit" means the maximum allowable aggregate balance of accounts established for the same beneficiary. Account earnings, if any, are included in the account balance limit.

Sec. 2. Section 12D.3, subsection 1, paragraph a, Code Supplement 1999, is amended to read as follows:

a. Each participation agreement may require a participant 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. A participant shall not be required to make an annual contribution on behalf of a beneficiary. The minimum contribution per beneficiary per year, in a year in which a

participant is making a contribution, shall be fifty dollars, ~~and the~~. ~~The maximum contribution that may be deducted for Iowa income tax purposes shall not exceed two thousand dollars per beneficiary per year adjusted annually to reflect increases in the consumer price index. However, the~~ The ~~treasurer of state may shall set a maximum, as necessary, an~~ account balance limit to maintain compliance with section 529 of the Internal Revenue Code. A contribution shall not be permitted to the extent it causes the aggregate balance of all accounts established for the same beneficiary to exceed the applicable account balance limit.

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2. Beneficiaries designated in participation agreements may be designated from date of birth up to, but not including, their eighteenth birthday. A substitute beneficiary may be older than age eighteen provided that the substitute beneficiary is not older than the original beneficiary ~~when the substitution is made.~~

Sec. 4. Section 12D.3, subsection 5, paragraph a, Code Supplement 1999, is amended to read as follows:

a. A beneficiary under a participation agreement may be changed as permitted under rules adopted by the treasurer of state upon written request of the participant ~~prior to the date of admission of the beneficiary to an institution of higher education~~ as long as the substitute beneficiary is eligible for participation.

Sec. 5. Section 422.7, subsection 32, paragraph a, Code 1999, is amended by striking the paragraph and inserting in lieu thereof the following:

a. Subtract the maximum contribution that may be deducted for Iowa income tax purposes as a participant in the Iowa educational savings plan trust pursuant to section 12D.3, subsection 1, paragraph "a".

Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2550, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved March 3, 2000

THOMAS J. VILSACK
Governor