

Senate Study Bill 1182

Bill Text

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1 1 Section 1. Section [12D.2](#), unnumbered paragraph 2, Code
1 2 1999, is amended to read as follows:
1 3

~~An amount, not to exceed two hundred thousand dollars~~

1 4

~~annually,~~

- ~~Funds~~ shall be transferred from the unclaimed
1 5 property trust fund established in section 556.18 to the
1 6 administrative fund for the payment of costs of administration
1 7 and operation of the trust.

1 8 Sec. 2. Section [12D.3](#), subsection 1, paragraph a, Code
1 9 1999, is amended to read as follows:

1 10 a. Each participation agreement

~~shall~~

- ~~may~~ require a

1 11 participant to agree to invest a specific amount of money in
1 12 the trust for a specific period of time for the benefit of a
1 13 specific beneficiary. A participant shall not be required to
1 14 make an annual contribution on behalf of a beneficiary. The
1 15 minimum contribution per beneficiary per year, in a year in
1 16 which a participant is making a contribution, shall be

~~three~~

1 17

~~hundred~~

- ~~fifty~~ dollars, and the maximum contribution shall not
1 18 exceed two thousand dollars per beneficiary per year adjusted
1 19 annually to reflect increases in the consumer price index.
1 20 However, the treasurer of state may set a maximum, as
1 21 necessary, to maintain compliance with section 529 of the
1 22 Internal Revenue Code.

1 23 Sec. 3. Section [12D.3](#), subsection 2, Code 1999, is amended
1 24 to read as follows:

1 25 2. Beneficiaries designated in participation agreements
1 26 may be designated from date of birth up to, but not including,
1 27 their

~~seventeenth~~

- ~~eighteenth~~ birthday. A substitute

1 28 beneficiary may be older than age eighteen provided that the
1 29 substitute beneficiary is not older than the original
1 30 beneficiary when the substitution is made.

1 31 Sec. 4. Section [12D.3](#), subsection 3, Code 1999, is amended
1 32 by striking the subsection and inserting in lieu thereof the
1 33 following:

1 34 3. A participant's account balance shall be refunded to
1 35 the participant, less endowment fund earnings, and less a
2 1 refund penalty levied by the trust against account balance
2 2 earnings, if any, in the event an account balance remains in
2 3 the account for a thirty-day period following the

2 4 beneficiary's thirtieth birthday.
2 5 Sec. 5. Section [12D.5](#), subsection 1, Code 1999, is amended
2 6 by striking the subsection and inserting in lieu thereof the
2 7 following:
2 8 1. A participant may cancel a participation agreement at
2 9 will. Upon cancellation of a participation agreement, a
2 10 participant shall be entitled to the return of the
2 11 participant's account balance, less endowment fund investment
2 12 earnings, and less a refund penalty levied by the trust
2 13 against the participant's account balance earnings, if any.
2 14 The penalty shall be deposited into the administrative fund.
2 15 Sec. 6. Section [12D.5](#), subsection 2, paragraph b, Code
2 16 1999, is amended to read as follows:
2 17 b. In the event of cancellation of a participation
2 18 agreement for any of the causes listed in paragraph "a", the
2 19 participant shall be entitled to receive

~~the principal amount~~

2 20

~~of all payments made by the participant under the~~

2 21

~~participation agreement plus the actual program fund~~

2 22

~~investment income earned on the payments, but not~~

~~the~~

2 23 participant's account balance, less endowment fund investment
2 24 income.

2 25 Sec. 7. Section [12D.6](#), subsection 2, unnumbered paragraph
2 26 1, Code 1999, is amended to read as follows:

2 27 In the event the program is terminated prior to payment of
2 28 higher education costs for the beneficiary, the participant is
2 29 entitled to a

~~full~~

~~refund of~~

~~all payments made under the~~

2 30

~~participation agreement and all investment income credited on~~

2 31

~~all the payments~~

~~the participant's account balance.~~

2 32 Sec. 8. Section [12D.9](#), subsection 1, paragraph f, Code
2 33 1999, is amended to read as follows:

2 34 f. Pursuant to section [12D.5](#), subsection 1,

~~paragraphs "a"~~

2 35

~~and "b",~~

~~penalties are provided on refunds of earnings which~~

3 1 are not used for qualified higher education expenses of the
3 2 beneficiary, made on account of the death or disability of the
3 3 designated beneficiary, or made due to scholarship, allowance,
3 4 or payment receipt as provided in section 529(b)(3) of the
3 5 Internal Revenue Code.

3 6 Sec. 9. EFFECTIVE DATE AND RETROACTIVE APPLICABILITY.
3 7 This Act, being deemed of immediate importance, takes effect
3 8 upon enactment and is retroactively applicable to July 1,
3 9 1998.

3 10 EXPLANATION

3 11 This bill amends certain Code provisions relating to the
3 12 Iowa education savings plan trust.

3 13 The bill removes a previous limitation of \$200,000 on the
3 14 amount of funds which can be transferred from the unclaimed
3 15 property trust fund established in Code section 556.18 for the
3 16 payment of trust administration and operation costs, and also
3 17 changes the minimum trust contribution amount per year from
3 18 the previous level of \$300 per beneficiary to \$50 per
3 19 beneficiary. The bill provides that a beneficiary may be
3 20 designated in a participation agreement up to age 18, which
3 21 represents a one-year increase from the previously specified
3 22 age of 17, and provides that a substitute beneficiary may be
3 23 designated who is older than age 18, provided that the
3 24 substitute beneficiary is not older than the original
3 25 beneficiary when the substitution takes place.

3 26 The bill further provides that a participant's account
3 27 balance will be refunded to the participant, other than
3 28 endowment fund earnings and a penalty, if a balance remains in
3 29 the account 30 days following the beneficiary's thirtieth
3 30 birthday, which replaces provisions which previously specified
3 31 a birthday or graduation date by which payments under
3 32 participation agreements were required to commence.

3 33 The bill additionally deletes refund provisions relating to
3 34 cancellation of a participation agreement prior to two years
3 35 from the agreement's original execution date, and different
4 1 refund provisions relating to cancellation after two years
4 2 from the original execution date, and replaces them with
4 3 refund cancellation provisions which apply regardless of when
4 4 cancellation occurs. The refund provisions would provide for
4 5 the return of a participant's account balance, less endowment
4 6 fund investment income, and less a refund penalty to be levied
4 7 by the trust against any account balance earnings. A
4 8 corresponding change regarding the term account balance is
4 9 made concerning refunds for reasons specified in Code section
4 10 12D.5, subsection 2, relating to death, disability,
4 11 incapacity, and the awarding of a scholarship, and termination
4 12 of the program prior to payment of higher education costs.

4 13 The bill takes effect upon enactment and applies
4 14 retroactively to July 1, 1998.

4 15 LSB 2579SC 78

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