

JAN 14 2003  
WAYS AND MEANS

HOUSE FILE 20  
BY MADDOX

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the taxation of activities involving out-of-  
2 state qualified state tuition programs and including effective  
3 and retroactive applicability date provisions.

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

HF 20

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1 Section 1. Section 422.7, Code 2003, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 34A. For purposes of this subsection,  
4 "out-of-state qualified state tuition program" or "program"  
5 means a qualified state tuition program established in a state  
6 other than Iowa which meets the requirements of section 529 of  
7 the Internal Revenue Code.

8 a. Subtract the maximum contribution that may be deducted  
9 for Iowa income tax purposes as a participant in the Iowa  
10 educational savings plan trust pursuant to section 12D.3,  
11 subsection 1, paragraph "a", for contributions made to an out-  
12 of-state qualified state tuition program.

13 b. Add the amount resulting from the cancellation of a  
14 participation agreement refunded to the taxpayer as a  
15 participant in the out-of-state qualified state tuition  
16 program to the extent previously deducted as a contribution to  
17 the program.

18 c. Subtract, to the extent included, income from interest  
19 and earnings received from the out-of-state qualified state  
20 tuition program.

21 d. Subtract, to the extent not deducted for federal income  
22 tax purposes, the amount of any gift, grant, or donation made  
23 to the out-of-state qualified state tuition program for  
24 deposit in the endowment fund, if any, of that program.

25 Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act,  
26 being deemed of immediate importance, takes effect upon  
27 enactment and applies retroactively to January 1, 2003, for  
28 tax years beginning on or after that date.

29 EXPLANATION

30 Under present law, contributions to, donations to, and  
31 interest and earnings from the Iowa educational savings plan  
32 trust are exempt from Iowa income tax. The Iowa educational  
33 savings plan trust is a trust set up by the state for the  
34 benefit of named beneficiaries to pay for educational costs  
35 beyond high school. This bill treats the contributions to,

1 distributions to, and interest and earnings from such a trust  
2 or program established by a state other than Iowa in the same  
3 manner.

4 The bill takes effect upon enactment and applies  
5 retroactively to January 1, 2003, for tax years beginning on  
6 or after that date.

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