

FILED JAN 12 '04

WAYS & MEANS

SENATE FILE

2003

BY BRUNKHORST

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

**A BILL FOR**

1 An Act providing for an individual income tax deduction for  
 2 contributions made to a qualified tuition program established  
 3 by certain educational institutions and including effective  
 4 and retroactive applicability date provisions.

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

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SF 2003  
 WAYS & MEANS

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

3 NEW SUBSECTION. 32A. a. Subtract contributions made by  
4 the taxpayer as a participant in a qualified tuition program,  
5 as defined in section 529(b) of the Internal Revenue Code,  
6 established by one or more eligible educational institutions.  
7 The maximum amount that may be subtracted under this paragraph  
8 equals the maximum amount that is deductible under section  
9 12D.3, subsection 1, paragraph "a", for contributions made to  
10 the Iowa educational savings plan trust minus any amount  
11 subtracted pursuant to subsection 32, paragraph "a", of this  
12 section.

13 b. Add the amount of cash refunds or withdrawals refunded  
14 to the taxpayer as a participant in a qualified tuition  
15 program that is not used to satisfy qualified higher education  
16 expenses, as defined in section 529(e) of the Internal Revenue  
17 Code, to the extent previously deducted under paragraph "a".

18 Sec. 2. EFFECTIVE AND RETROACTIVE DATE. This Act, being  
19 deemed of immediate importance, takes effect upon enactment  
20 and applies retroactively to January 1, 2004, for tax years  
21 beginning on or after that date.

22 EXPLANATION

23 This bill allows for an individual income tax deduction for  
24 contributions made to a qualified tuition program established  
25 by one or more educational institutions. The program is the  
26 counterpart to the Iowa educational savings plan trust (state  
27 program) and allows a taxpayer to make contributions to a  
28 trust set up in the name of a designated beneficiary to pay  
29 the costs associated with higher education. The amount that  
30 may be deducted is the maximum amount that may be deducted for  
31 contributions to the state program (\$2,000, to be adjusted for  
32 inflation) less any amount that has been deducted for the tax  
33 year for contributions to the state program.

34 The bill also provides that any refunds or withdrawals made  
35 which the taxpayer receives and which are not used for

1 qualified tuition costs are to be included in income to the  
2 extent previously deducted.

3 The bill takes effect upon enactment and applies  
4 retroactively to January 1, 2004, for tax years beginning on  
5 or after that date.

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