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WAYS & MEANS

SENATE FILE

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MULDER, IVERSON, HAHN, and
WIECK

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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1 Section 1. Section 422.7, Code 2005, is amended by adding
2 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, 2005, 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, 2005, for tax years beginning on
5 or after that date.

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