Senate File 2440 - Introduced

A BILL FOR

1 An Act relating to the Iowa educational savings plan trust
2   by expanding the plan trust to include career-related
3   programs approved by the Iowa office of apprenticeship for
4   purposes of withdrawals qualifying for an individual income
5   tax deduction, and including retroactive applicability
6   provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1   Section 1.   Section 84D.2, Code 2024, is amended by adding
2 the following new subsection:
3   NEW SUBSECTION.   6A.   *"Career-related programs"* means the
4 same as defined in section 422.7, subsection 22.
5   Sec. 2.   Section 84D.4, Code 2024, is amended by adding the
6 following new subsection:
7   NEW SUBSECTION.   10.   The office shall approve
8 career-related programs for purposes of the Iowa educational
9 savings plan trust tax deduction.
10   Sec. 3.   Section 422.7, subsection 22, paragraph c,
11 subparagraph (1), Code 2024, is amended by adding the following
12 new subparagraph division:
13   NEW SUBPARAGRAPH DIVISION.   (g)   The payment of expenses for
14 a career-related program if such a program is approved by the
15 Iowa office of apprenticeship as a career-related program.
16   Sec. 4.   Section 422.7, subsection 22, paragraph c,
17 subparagraph (2), Code 2024, is amended by adding the following
18 new subparagraph division:
19   NEW SUBPARAGRAPH DIVISION.   (0b)   *"Career-related program"*
20 means a class or a series of classes that do not qualify for
21 college credit but match the needs and career goals of the
22 beneficiary to develop the knowledge and skills necessary
23 to pursue a new future career opportunity in the workplace.
24 *"Career-related program"* does not include a class or a series
25 of classes for improving or developing new knowledge for the
26 current career of the beneficiary.
27   Sec. 5.   RETROACTIVE APPLICABILITY.   This Act applies
28 retroactively to January 1, 2024, for tax years beginning on
29 or after that date.
30   EXPLANATION

33   This bill relates to the Iowa educational savings plan
34 trust (529 plan) by expanding the plan trust to include
35 career-related programs approved by the Iowa office of

1 apprenticeship (office) for purposes of withdrawals qualifying
2 for a state individual income tax deduction.

3 The bill defines "career-related programs" to mean a class
4 or a series of classes that do not qualify for college credit
5 but match the needs and career goals of the beneficiary to
6 develop the knowledge and skills necessary to pursue a new
7 future career opportunity in the workplace, but does not
8 include programs to develop knowledge for a current career.

9 Prior to withdrawals from the 529 plan qualifying for a state
10 individual income tax deduction under the bill, the office must
11 first approve the career-related program to receive the state
12 income tax deduction.

13 Under current law, withdrawals from a 529 plan for expenses
14 related to an apprenticeship program registered and certified
15 with the United States secretary of labor under the federal
16 National Apprenticeship Act are excluded from the computation
17 of net income for state and federal individual income tax.
18 However, a career-related program defined in the bill does not
19 qualify as an "apprenticeship program" under federal law, and
20 as a result, federal tax treatment may differ from state tax
21 treatment.

22 For federal tax purposes, if a withdrawal is considered
23 a nonqualified withdrawal, the earnings portion of the
24 nonqualified withdrawal is subject to federal taxation and a
25 10 percent withdrawal penalty.

26 The bill applies retroactively to January 1, 2024, and
27 applies to tax years beginning on or after that date.