

Senate Study Bill 3128 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON WORKFORCE BILL BY
CHAIRPERSON DICKEY)

A BILL FOR

1 An Act relating to the Iowa educational savings plan trust by
2 expanding the definition of qualified educational expenses
3 and apprenticeship programs for purposes of withdrawals
4 qualifying for an individual income tax exclusion, and
5 including retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 12D.1, subsection 2, Code 2024, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. *0c.* "Apprenticeship program" means a program
4 registered and certified with the United States secretary of
5 labor under section 1 of the federal National Apprenticeship
6 Act, 29 U.S.C. §50, or registered with the Iowa office of
7 apprenticeship under chapter 84D.

8 Sec. 2. Section 12D.1, subsection 2, paragraph k, Code 2024,
9 is amended to read as follows:

10 *k.* "Qualified education expenses" means the same as
11 "qualified higher education expenses" as defined in section
12 529(e)(3) of the Internal Revenue Code, as amended by Pub. L.
13 No. 115-97, and shall include elementary and secondary school
14 expenses for tuition described in section 529(c)(7) of the
15 Internal Revenue Code, subject to the limitations imposed by
16 section 529(e)(3)(A) of the Internal Revenue Code. "Qualified
17 education expenses" includes expenses for the participation
18 in an apprenticeship program ~~registered and certified with~~
19 ~~the United States secretary of labor under section 1 of the~~
20 ~~National Apprenticeship Act, 29 U.S.C. §50,~~ and amounts paid as
21 principal or interest on any qualified education loan on behalf
22 of a beneficiary or a sibling of the beneficiary, subject to
23 the limitations imposed by section 529(c)(9)(B) and (C) of the
24 Internal Revenue Code. "Qualified education expenses" includes
25 expenses paid to an institution of higher education for
26 career-related programs that do not qualify for college credit.

27 Sec. 3. Section 422.7, subsection 22, paragraph c,
28 subparagraph (1), Code 2024, is amended by adding the following
29 new subparagraph division:

30 NEW SUBPARAGRAPH DIVISION. (g) The payment of expenses for
31 career-related programs that do not qualify for college credit
32 if such payments are qualified education expenses.

33 Sec. 4. Section 422.7, subsection 22, paragraph c,
34 subparagraph (2), subparagraph division (a), Code 2024, is
35 amended to read as follows:

1 (a) *"Apprenticeship program"* means a ~~program registered~~
2 ~~and certified with the United States secretary of labor under~~
3 ~~section 1 of the National Apprenticeship Act, 29 U.S.C. §50~~ the
4 same as defined in section 12D.1.

5 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
6 retroactively to January 1, 2024, for tax years beginning on
7 or after that date.

8 EXPLANATION

9 The inclusion of this explanation does not constitute agreement with
10 the explanation's substance by the members of the general assembly.

11 This bill relates to the Iowa educational savings plan
12 trust (529 plan) by expanding the definition of qualified
13 education expenses and apprenticeship programs for purposes
14 of withdrawals from the 529 plan qualifying for an individual
15 income tax exclusion.

16 The bill specifies that "qualified education expenses"
17 include expenses paid to an institution of higher education for
18 career-related programs that do not qualify for college credit.
19 As a result, the expenses paid to the institution of higher
20 education for career-related programs that do not earn college
21 credit are excluded from the computation of net income for the
22 individual income tax. An institution of higher education is
23 defined in Code section 12D.1.

24 Under current law, withdrawals from a 529 plan for
25 expenses related to an apprenticeship program registered and
26 certified with the United States secretary of labor under
27 the federal National Apprenticeship Act, are excluded from
28 the computation of net income for the individual income tax.
29 The bill expands the definition of "apprenticeship program"
30 to include apprenticeships registered with the Iowa office
31 of apprenticeship under Code chapter 84D, and as a result
32 the withdrawals from a 529 plan for expenses related to an
33 apprenticeship program registered with the Iowa office of
34 apprenticeship are excluded from the computation of net income
35 for the individual income tax.

1 The federal tax treatment of the type of withdrawal
2 described in the bill may differ from the state tax treatment
3 under the bill. For federal tax purposes, if a withdrawal is
4 considered a nonqualified withdrawal, the earnings portion of
5 the nonqualified withdrawal is subject to federal taxation and
6 a 10 percent withdrawal penalty.

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