

FILED JAN 14 2002

SENATE FILE
BY MADDOX

2004

Passed Senate, Date _____ Passed House, 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:

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2004

1 Section 1. Section 422.7, Code Supplement 2001, is amended
2 by adding 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, 2002, 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, 2002, for tax years beginning on
6 or after that date.

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