

IOWA ACEnews



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529 Plans Now to Include K-12 Education

Now that the legislative session is done and the school year is wrapping up, we have some information for you about saving for your child's future education.

In December 2017, major changes came to Iowa 529 plans with the signing of the federal tax reform bill. The law expanded the 529 plan by allowing withdrawals from 529 college savings accounts up to an aggregate of \$10,000 per year per student for tuition expenses in connection with enrollment at a K-12 private or religious school. For K-12 education to be included in the existing Iowa 529 plan, action by the state legislature was required. That legislation was passed in the Iowa tax reform bill, and this week Governor Reynolds signed that bill into law.

The State Treasurer's Office is still in the process of determining the details of this law as it pertains to 529 plans and K-12 education expenses. Iowa ACE is in close contact with the Treasurer's Office as the process unfolds. We do know that K-12 tuition and qualified expenses are now included in 529 accounts in Iowa, but it will take a little time to figure out rules and logistics. We will continue to work on this issue, which we know is very important to nonpublic school parents and administrators, and we will get reliable information out to you as soon as it becomes available.

Finally, we encourage you to first consult with your personal tax advisor before taking any action regarding a new or existing 529 account in the future.

What is a 529 Plan? How Can it Benefit my Family?

A 529 plan is a type of investment account one can use to save for a student's higher education and now - thanks to Federal and state law changes - can be utilized to save for K-12 education. 529 plans are most often sponsored and administered by states. In Iowa, the 529 plan is called College Savings Iowa and is administered by the Office of the State Treasurer.

Almost anyone can open a 529 account including parents, grandparents and other family members. An account owner deposits money into the 529 account, chooses the investments and beneficiary (the student), and determines how the money is eventually used. 529 account funds grow tax-deferred. If you are an Iowa taxpayer, you can also take a state tax deduction of up to \$3,319 in contributions per beneficiary (student) for 2018. You will not pay taxes on money withdrawn from your College Savings Iowa 529 account to pay for qualified higher-education and K-12 expenses.

You can find more information on the [College Savings Iowa website](#), but be advised that the site is *not* updated as to all of the new changes for K-12 529 plans.