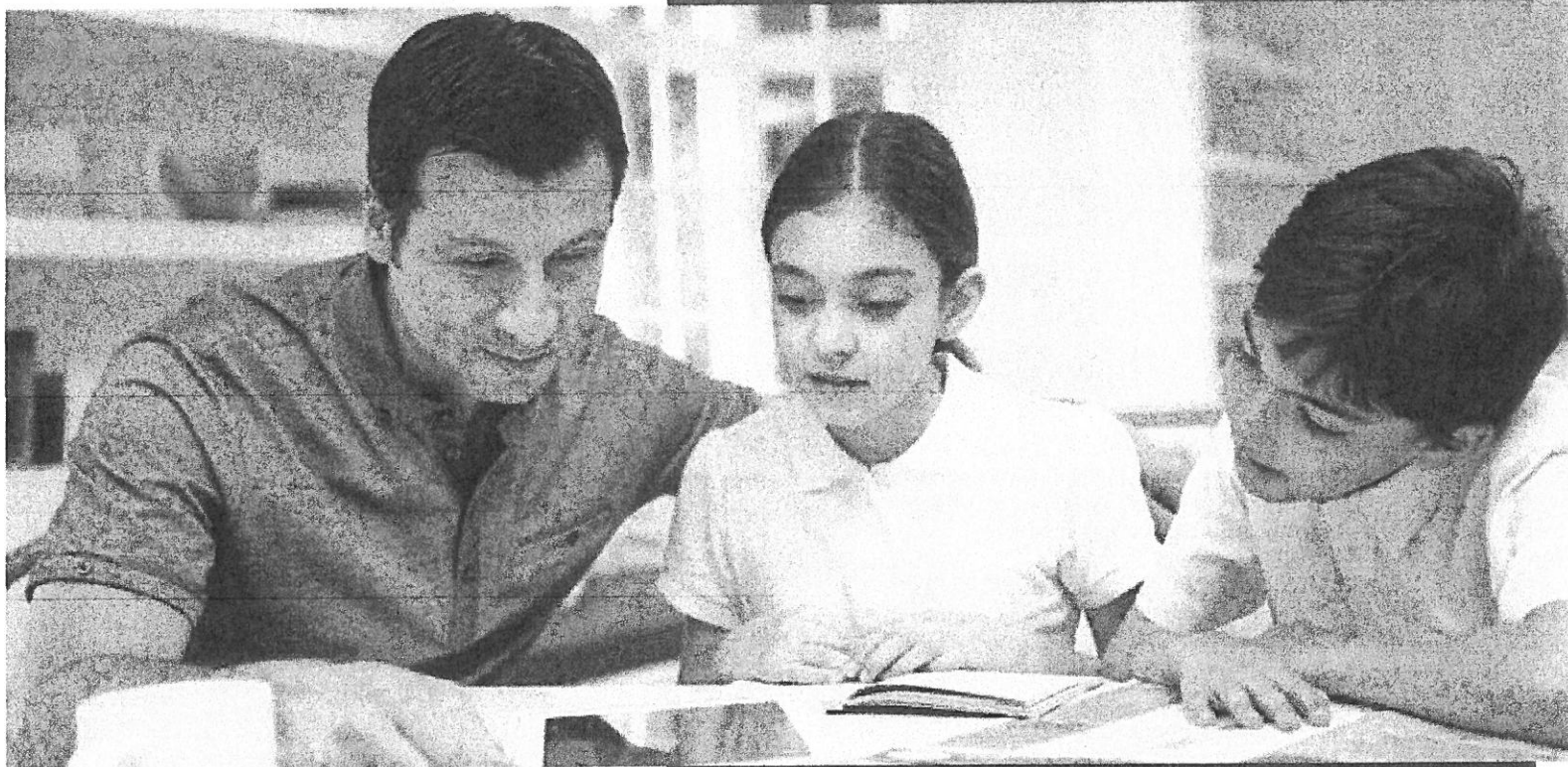


IOWA 529

Savings Plan



IOWA 529 SAVINGS PLAN

Catholic Schools in the Archdiocese of Dubuque

DEFINITION

The **Iowa 529 Savings Plan** is an account established by any Iowa taxpayer to save and invest money for tuition in any K-12 religious/private Iowa school and/or any college in the country. The account is designated for a specific student and can be used only for tuition for that student. All withdrawals used for tuition, including investment gains, are free from both federal and state taxes. Each taxpayer's situation is different so it is important to talk to a tax professional before setting up an account.

WEBSITE UPDATES IN PROGRESS

- ✓ The State Treasurer's website for 529 Plans only references "**College Savings Iowa.**"
- ✓ The website is www.CollegeSavingsIowa.com.
- ✓ The State Treasurer's Office is in the process of reviewing and revising their website to include the **K-12 Iowa 529 Savings Program**. Until the change is made the titles and information found there only discuss "**College Savings Iowa.**"
- ✓ All forms, while not yet titled to include K-12, **WILL** work for this program.

FREQUENTLY ASKED QUESTIONS

HOW DO I SET UP A 529 ACCOUNT?

The Iowa Treasurers Office is in charge of this program. Any taxpayer can go to their website at www.CollegeSavingsIowa.com, submit an application, and transfer the funds into their 529 account. As part of that application, a beneficiary (the student) has to be named and an investment option provided on the form has to be chosen.

WHO CAN SET UP A 529 ACCOUNT?

Anyone can set up an account for any student. The beneficiary does not have to be related to the taxpayer. There is no limit as to how many accounts can be set up.

HOW MUCH MONEY CAN BE PUT IN A 529 ACCOUNT EACH YEAR?

Because everyone's tax situation is different, it's important to review this document and the information at www.CollegeSavingsIowa.com before beginning the 529 application. It is important to understand, the Iowa tax rules allow the first \$3,319/per student for 2018, to be considered a deduction from the taxpayer's adjusted gross income on his/her Iowa tax return. The taxpayer does not need to itemize his/her taxes to receive this deduction.

IS THERE ANY ADVICE OFFERED AS TO THE INVESTMENT OPTIONS?

While we do not give direct advice related to these options the Iowa Treasurer's Office recommends that if the funds are going to be used for K-12 tuition that "age-based investments" not be used. These are intended for long-term investing for college. As always, please consult with a tax advisor for additional advice.

WILL A 529 ACCOUNT AFFECT MY CHANCES OF RECEIVING AN STO AWARD?

No. These are two distinct and unrelated programs. It will have no effect on families STO income qualifications since the Our Faith STO program is required to use federal income tax filings to determine STO eligibility.

ARE BOOKS AND SUPPLIES QUALIFIED EDUCATION EXPENSES?

No. Tuition is the only qualified education expense for K-12.



FREQUENTLY ASKED QUESTIONS *(continued)*

HOW DOES THIS 529 PROGRAM WORK FOR MY FAMILY?

While every family's situation is unique, the 529 Program offers a great opportunity to save for both K-12 religious/private school education tuition (including all Catholic Schools in the Archdiocese of Dubuque) as well as college.

Example: Mom and Dad have two children who will be attending a Catholic School in the fall. Each parent can receive a deduction on their Iowa income taxes for the first \$3,319 deposited in a 529 account set up in the name of each of his or her children.

On their Iowa taxes each parent receives a deduction of \$6,638 ($\$3,319 \times 2$) off their adjusted gross income. They do not have to itemize their deductions to receive this deduction on their Iowa taxes. The Iowa tax savings will vary depending on the family's tax situation.

On the federal tax side, while there is no deduction for the initial investment, any investment gains on the 529 accounts are tax free, provided the funds are used for tuition. The above example is for a married couple filing jointly. Before setting up the program it would be wise to consult your tax professional for guidance.

HOW WILL THIS CHANGE MY TAX LIABILITY?

Every tax situation is unique so it is important to consult a tax professional to specifically have this question answered. For each taxpayer, 2018 contributions up to \$3,319 annually are deducted from the Iowa adjusted gross income for every student for which a 529 account is established. The maximum tax liability in Iowa is 9%. Thus, the maximum Iowa tax benefit is 9% of \$3,319 or \$299 per student.

Example: A married couple each creates an Iowa 529 Plan for their two K-12 students for a total investment of \$13,276 ($\$3,319 \times 4$).

There are four contributions since each parent has set up two accounts, one for each of their children.

In this example, the $\$13,276 \times 9\%$ equals an Iowa tax benefit of \$1,195.

This link: <https://vanguard.wealthmsi.com/stdc.php> will provide specific examples of potential tax savings based on family income, 529 contributions etc.

The 529 funds are invested. Any gains on the account are tax-free on both federal and state taxes. Finally, provided the funds withdrawn from an existing 529 Plan are used to pay tuition at an Iowa accredited K-12 religious/private school (including ALL Catholic Schools in the Archdiocese of Dubuque) and/or any private/public college or university in the country; those funds are not taxed as income. The Iowa Treasurer's Office provides further clarification at:

www.CollegeSavingsIowa.com/home/why-choose-college-savings-iowa/tax-benefits.html

ARE K-12 DISTRIBUTIONS SENT DIRECTLY TO THE K-12 INSTITUTION OR TO THE TAXPAYER WHO SET UP THE ACCOUNT?

Either is an option. The State Treasurer's Office is in the process of changing the language related to withdrawals. Once that process is complete, there will be a selection specifically for K-12 qualified withdrawals. Until that time, the account holder should select the qualified withdrawal option (even though it may indicate that is for higher education). You may direct the payment to the account owner or the K-12 Institution; simply enter that information where it asks for the Institution of Higher Education. No matter who receives the distribution it can only be used for tuition expense.

CAN I PAY THE ENTIRE SCHOOL YEAR TUITION IN THE FALL, AS THE SCHOOL YEAR BEGINS USING FUNDS IN MY 529 PLAN?

We are awaiting a clarification on this, since currently the rules require that funds can only be for the calendar year in which services are rendered.

WHEN CAN WE START MAKING QUALIFIED WITHDRAWALS?

Now. The federal law became effective on January 1, 2018 and the state law is retroactive to January 1, 2018. Forms are in the update process, but withdrawals may be taken at any time for K-12 tuition.

WHAT ARE THE FUND DISTRIBUTION TIMELINES?

- Funds cannot be requested for distribution for 7-10 business days after the contribution to the 529 is made.
- Please allow an additional 7-10 business days for payment by check by regular mail to reach the account owner or the K-12 institution. EBT to the taxpayer is an option and could speed up the distribution.
- Changes to your account that can delay the regular delivery time an additional 7-10 days also include:
 - If the address information that you have requested the withdrawal be sent to changed in the last nine business days, your withdrawal will be held until this waiting period has been satisfied.
 - If the banking information that you have requested the withdrawal be sent to has changed in the last 15 calendar days, your withdrawal will be held until this waiting period has been satisfied.

WHAT IF I HAVE ADDITIONAL QUESTIONS?

Visit www.CollegeSavingsIowa.com for more specific information about this exciting opportunity or call the 529 Plan in Des Moines and an associate will assist you.

College Savings Iowa: 888-672-9116

IAdvisor 529 Plan: 800-774-5127

