

# College Savings Iowa 529 Plans

## Tax Benefits

### A tax-advantaged way to save

College Savings Iowa offers numerous tax incentives that make it attractive to save money for college for a child, grandchild, friend, or other relative. A full discussion of the federal and Iowa state tax treatment of contributions and withdrawals is included in the [Program Description](#).

- **Federal income tax benefits.\*** Your assets grow tax-deferred, and withdrawals are exempt from federal income tax when used for qualified higher education expenses.
- **Additional advantages for Iowa taxpayers.** Earnings are fully exempt from Iowa state income tax. In addition, withdrawals are exempt from Iowa state income tax when used for qualified higher education expenses. Iowa taxpayers can also deduct up to \$2,800 in contributions (amount adjusted annually for inflation) per beneficiary from their state income tax. So for example, a married couple with two children contributing to separate accounts can deduct up to \$11,200 (that's 4 x \$2,800) in 2009.\*\*
- **Federal gift tax incentive.** You can contribute up to \$65,000 in a single year (\$130,000 for a married couple filing jointly) for each beneficiary without incurring federal gift tax, provided you don't make any other gifts to that beneficiary for five years. For more detailed information about this incentive, consult a qualified tax advisor.

### Other tax considerations

Consider the following before you open an account:

- **Federal income tax deductibility.** Contributions to a 529 college savings plan are not deductible for federal income tax purposes.
- **Rollover penalty.** If you are an Iowa state income taxpayer, a rollover of assets from your College Savings Iowa account to a qualified 529 plan in another state is subject to the recapture of all previous Iowa state tax income deductions made during the life of the account.
- **Your own state's plan may have additional tax benefits.** If you are a resident or taxpayer of another state, you should consider whether that state offers a 529 plan with tax advantages or other benefits that are not available through this plan. Be sure to weigh all the pros and cons of a particular plan before you choose it.