

College Savings Iowa / IAdvisor 529 Plan
COVID-19 Pandemic Response
6/3/2020

Disclaimer

This Fact Sheet is not intended to provide tax or legal advice. If you are considering contributing to an Iowa Educational Savings (529) plan account for the 2019 tax year during the 2020 calendar year, or making a qualified payment refund retribution, please seek guidance from a tax professional or attorney. This document is subject to change.

Iowa 529 Plan Contribution Deadline for Tax Year 2019 Extended

On March 19, 2020, in response to the COVID-19 pandemic, the Governor extended the filing and payment deadline for income, franchise, and moneys and credits taxes to July 31, 2020. On April 24, 2020, the Governor extended the date to which 529 plan contributions could be made and still be deducted on a 2019 Iowa income tax return. Please refer to the [Iowa Department of Revenue's website](#) for further information on the 529 plan contributions deadline extension.

Higher Education Institution COVID-19 Pandemic Refund Retribution

On April 10, 2020, the IRS released Notice 2020-23. This notice provides relief for 529 plan participants who received a refund of a distribution from a 529 account this spring because of the COVID-19 pandemic. The relief would allow for the refund to be recontributed to the 529 plan account no later than July 15, 2020, giving most recipients more than the current 60-day period that is allowed under the rules pursuant to IRS Notice 2018-58.

When you're given a refund from an eligible educational institution of money paid from the beneficiary's 529 plan account for qualified higher-education expenses, you can retribute that money into the same account or another 529 account for the same beneficiary. You will not be subject to any federal income taxes or penalties associated with a retributed refund as long as the refund is retributed by July 15, 2020,* and the retributed amount doesn't exceed the amount of the refund.

Iowa taxpayers: For purposes of Iowa's income tax, the Department of Revenue will not consider a refund of money withdrawn from an Iowa 529 Plan account as a withdrawal or transfer that is required to be added back when calculating Iowa net income if the following criteria are met: (1) the refunded amounts must be retributed to College Savings Iowa or the IAdvisor 529 Plan (any amounts refunded, but not retributed may need to be added back when calculating Iowa net income to the extent previously deducted as a contribution to the Iowa 529 Plan); (2) the retribution must be made to the same account from which the money was originally withdrawn; (3) the retribution must occur within sixty (60) days of the refund; and (4) the retribution amount cannot exceed the amount refunded by the educational institution. An Iowa taxpayer cannot deduct the retribution amount when determining his or her Iowa net income. The retribution amount is not taken into account for purposes of determining whether the taxpayer has reached the contribution limit in a given

tax year. The July 15, 2020 federal extension does not apply to Iowa recontribution rules as of May 27, 2020. Please refer to the [Iowa Department of Revenue's website](#) for further information on 529 recontributions.

You'll receive a 1099 for the full (original) distribution amount. Please refer to [IRS Publication 970](#) and speak with your tax advisor about your specific situation to determine any taxable amount.

FAQs

Can I still contribute for the 2019 tax year if I have already filed my state taxes?

Yes. Iowa taxpayers may amend their 2019 state tax filings to maximize their state income tax deductions. Please refer to the [Iowa Department of Revenue's website](#) for further information on the deadline for the 529 account contributions.

What is the maximum I can deduct from my state taxes in 2019 based on my 529 contributions?

Iowa taxpayers who are also 529 account owners for either the IAdvisor 529 plan or College Savings Iowa 529 plan can deduct the first \$3,387 they contribute to each of their beneficiary accounts from their 2019 state taxable income.

If I am not an Iowa taxpayer, can I still deduct my 529 contributions for my state taxes?

IAdvisor 529 plan and College Savings Iowa account owners who are not Iowa taxpayers should consult with a tax or financial advisor for the tax treatment of their 529 contributions in their state of residence.

Where can I go for more information on the Iowa tax extension?

For more information regarding the Iowa Department of Revenue's decision to extend the filing and payment deadline, visit their website at tax.iowa.gov/COVID-19.

Can I recontribute refunds from a college or university due to the COVID-19 pandemic?

Yes. If your beneficiary receives a refund from an eligible higher education institution for money paid for qualified higher education expenses, you may recontribute the refund to the account for which the student is a beneficiary. The money must be recontributed by July 15, 2020, and cannot exceed the refunded amount. This is an exception granted by IRS Notice 2020-23 for 2020.*

I withdrew money from an Iowa 529 Plan account to pay for certain qualifying education expenses. Some of that money was refunded to me by the educational institution. How will the Department of Revenue treat those refunds?

For purposes of Iowa's income tax, the Department of Revenue will not consider a refund of money withdrawn from an Iowa 529 Plan account as a withdrawal or transfer that is required to be added back when calculating Iowa net income if the following criteria are met: (1) the refunded amounts must be recontributed to the Iowa educational savings plan trust described in Iowa Code chapter 12D (any amounts refunded, but not recontributed may need to be added back when calculating Iowa net income to the extent previously deducted as a contribution to the Iowa 529 Plan); (2) the recontribution must be made to the same account from which the money was originally withdrawn; (3) the recontribution must occur within sixty (60) days of the refund; and (4) the recontribution amount cannot exceed the amount refunded by the educational institution. An Iowa taxpayer cannot deduct the recontribution amount when determining his or her Iowa net income. The recontribution amount is not taken into account for purposes of determining whether the taxpayer has reached the contribution limit in a given tax year. The Department of Revenue intends to adopt administrative rules that reflect this position in order to clarify the tax treatment of this kind of refund. For more information regarding the Iowa Department of Revenue's decision on 529 recontributions, visit their website at tax.iowa.gov/COVID-19.

What if my beneficiary is about to graduate from higher education or will not be returning to school and I don't need the refund put back into my 529 account?

It may still be a good idea to recontribute before July 15, 2020, so you should consult your tax advisor. If you keep the refund, the amount will be considered an unqualified withdrawal, and your earnings may be subject to federal income tax, a 10% federal penalty tax and state income tax recapture. Funds in a 529 account never expire and you may transfer funds to another family member, use it for yourself or even save it for a future beneficiary.

How do I know if my beneficiary received a refund?

Ask your beneficiary to check their student account to see if they have a credit or ask them if they received a refund directly. Schools are handling payments differently and some may reimburse the student in their student account where parents and guardians may not have access.

What do I do with a refund check if I wanted it recontributed to my Iowa 529 plan account?

Iowa 529 account owners who receive a refund check that is not payable to their 529 plan account may simply sign or endorse the back of the check as payable to the 529 account name. You may then send the check along with a signed letter of instruction stating you want the funds deposited back into your 529 account at the current market value. If you cashed the check or it was directly credited to your financial institution, you can make a contribution of the refunded amount to your existing account. It is important for you to keep copies of all documentation with your tax documents to be able to demonstrate that you made a recontribution.

Where can I send my check?

College Savings Iowa

Michael L. Fitzgerald

Treasurer of the State of Iowa

College Savings Iowa

PO Box 219219

Kansas City, MO 64121

IAdvisor 529 Plan

Iowa Advisor 529 Plan

C/O Voya Investment Management

PO Box 9659

Providence, RI 02940-9659

Is the Treasurer's office open to receive in-person contributions?

At this time, the Treasurer's office lobby is closed to the public and cannot accept in-person contributions for 529 accounts.