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**College Savings Iowa/IAAdvisor 529 Plan
529 Rollover to Roth IRA Fact Sheet for Iowans
9/21/2023**

Disclaimer

This Fact Sheet is not intended to provide tax or legal advice. If you are considering using an Iowa 529 plan to fund a Roth IRA and you have specific questions about the potential tax or legal consequences, please see guidance from a tax professional or an attorney. This document is subject to change.

Federal Law Change

Beginning in 2024, 529 account holders will be able to transfer up to a lifetime limit of \$35,000 to a Roth IRA in the beneficiary's name. There are several requirements that must be met before a transfer of funds is made:

- The 529 plan must have been held for the designated beneficiary for **at least** 15 years.
- Annual transfers cannot exceed the annual Roth IRA contribution limits.
- The 529 account funds transferred to the Roth IRA cannot exceed the aggregate amount contributed to the 529 plan account (including earnings on those contributions) in the 5 years prior to the Roth IRA transfer distribution date.

Iowa State Law

At this time, Iowa law **has not changed** and a transfer of funds from a 529 plan to a Roth IRA is currently considered a nonqualified withdrawal under state law. Therefore, the transfer would be considered nonqualified for Iowa state tax purposes and would be subject to recapture in most situations.

Contributions to an Iowa 529 plan that were previously deducted for Iowa income tax purposes must be included as Iowa income when distributed, unless they are used to pay for qualified education expenses. For Iowa income tax purposes, a rollover to a Roth IRA will be treated as a nonqualified withdrawal and taxed as income to the extent previously deducted as a contribution to the Iowa 529 plan.

FAQs

Can an Iowa taxpayer use their 529 plan funds to fund a Roth IRA?

Yes. However, their withdrawal would be considered nonqualified for Iowa state tax purposes and would be subject to recapture in most situations.

Who will be impacted by the Iowa state tax consequences of transferring 529 plan funds to a Roth IRA, the Account Holder or the Beneficiary?

Both parties should consult their tax professional(s) or attorney(s) to determine the impact to their Iowa income taxes.

What if I have additional questions?

Please call the appropriate 529 plan and an associate will assist you.

College Savings Iowa: 888.672.9116

IAdvisor 529 Plan: 800.774.5127