

IOWA ABLE SAVINGS PLAN TRUST

Prior Law _____

No prior law.

New Provision _____

An Iowa ABLE (Achieving a Better Life Experience) savings plan trust is created. As part of the federal Tax Increase Prevention Act of 2014, a federal ABLE Act was enacted, which allows states to create programs to assist individuals in saving private funds for the purpose of supporting individuals with disabilities.

For tax purposes, the value of any interest in the trust of a decedent dying on or after July 1, 2015, is excluded from the Iowa inheritance tax. Contributions to the ABLE trust made on or after July 1, 2015, on behalf of a designated beneficiary are deductible from the Iowa individual income tax up to a maximum amount, \$3,163, allowed per beneficiary per year for purposes of the Iowa education savings plan trust in Iowa Code chapter 12D. Any amounts refunded to a taxpayer from the cancellation of a participation agreement or that are withdrawn for purposes other than the payment of qualified disability expenses of the designated beneficiary must be included in Iowa net income to the extent they were previously deducted by the taxpayer or any other person as a contribution. Income and earnings from ABLE are exempt from Iowa individual income tax.

Section Amended _____

Section 83 of 2015 Iowa Acts Senate File 505 amends Code 2015 by adding new section 12I.8. Section 85 amends Code 2015 by adding new section 12I.10. Section 87 amends section 422.7, Code 2015, by adding new subsections 34 and 34A. Section 88 amends section 450.4, Code 2015, by adding new subsection 9.

Effective Date _____

The amendments adding new Iowa Code Chapter 12I are effective July 1, 2016. The amendment to Iowa Code Section 422.7 applies to tax years beginning on or after January 1, 2016. The amendment to Iowa Code 450.4 applies to decedents dying on or after January 1, 2016.