



## IOWA ALLIANCE FOR CHOICE IN EDUCATION

### Iowa 529 Savings Plan Information

#### **Disclaimer**

This fact sheet is not intended to provide tax or legal advice. If you are considering using an Iowa 529 plan for K-12 purposes and you have specific questions about your impact, please seek guidance from a tax professional or an attorney. This document is subject to change.

#### **Iowa State Law**

Under Iowa law, Iowa taxpayers can use assets a qualified 529 plan to pay K-12 educational expenses with no Iowa state tax consequences if:

- The beneficiary attends an elementary or secondary school in the state of Iowa;
- The elementary or secondary school is accredited under Iowa Code Section 256.11; and
- The elementary or secondary school adheres to the provisions of the federal Civil Rights Act of 1964 and Iowa Code Chapter 216.

State tax treatment of K-12 withdrawals is determined by the state(s) where the taxpayer files state income tax. If you're not an Iowa taxpayer, please consult with a tax advisor.

#### **Important Changes:**

As of July 4, 2025, ***funds withdrawn may be used for K-12 expenses beyond tuition***, such as books, testing fees and tutoring. Educational therapies for students with disabilities are also now included as a qualified expense.

As of July 4, 2025, **recognized postsecondary credentials and credential programs, plus associated costs, are now qualified expenses.**

As of January 1, 2026, the **annual withdrawal limit for K-12 expenses increased from \$10,000 to \$20,000.**

For 2026, **Iowa taxpayers can deduct up to \$6,100** of their contributions per beneficiary account from their state taxable income.

#### **FAQs**

##### ***What are the potential Iowa income tax benefits of a 529 account?***

All of your Iowa 529 account earnings are exempt from Iowa state income tax. Iowa taxpayers can deduct up to \$6,100 in contributions per beneficiary (student) account from their state taxable income for 2026. The contribution deduction amount changes yearly.

Married couples filing jointly can maximize this benefit when each adult opens an account for each child. For example, married account owners who each contribute to separate accounts for their two children can deduct up to \$24,400 (4 x \$6,100) in 2026.

**REMINDER:** Iowa taxpayers have until the Iowa state income tax-filing deadline, April 30, 2026, to contribute for the 2025 tax year and deduct up to \$5,800 per beneficiary account from their state taxable income.

***If I pay K-12 tuition from a 529 account, may I still take the Tuition and Textbook Tax Credit on my qualified educational expenses?***

Yes. Taxpayers who have one or more dependents attending grades K-12 in an Iowa school may take a credit for each dependent for amounts paid for tuition, books, fees, and materials for extracurricular activities. The credit is 25 percent of the first \$2,000 paid for each dependent. If expenses qualify for both a tax-free 529 plan deduction, as well as the tuition and textbook credit, the taxpayer may claim both.

So for example, if a parent pays his or her child's tuition to an Iowa K-12 school out of a 529 account, he or she may claim the Tuition and Textbook Credit on that tuition payment as well.

*(Information provided by Iowa Department of Revenue)*

***Can an Iowa taxpayer use their 529 funds for K-12 tuition out of state?***

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

***What is the recapture on non-qualified withdrawals?***

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 non-Iowa 529 plan will be treated as a non-qualified withdrawal and taxed as income to the extent previously deducted as a contribution to the Iowa 529 Plan.

***Who can receive a distribution for K-12 tuition?***

A qualified K-12 withdrawal can be sent directly to a K-12 institution or to the account owner. Unlike higher education qualified withdrawals, distributions will not be sent directly to the beneficiary (the student).

***Can a 529 participant have a K-12 distribution sent directly to the K-12 institution?***

Yes. Withdrawals may be authorized and completed online, by U.S. mail, or over the phone, and can be sent directly to the K-12 institution.

***How quickly can I receive my funds?***

Withdrawal requests can take up to five days to process, and it may take up to 10 business days for a check to be received. Please make your withdrawal request well in advance.

***What if I have additional questions?***

Please call the 529 Plan and an associate will assist you.

ISAVE 529: 888.672.9116

IAdvisor 529 Plan: 888.823.4358

Iowa ACE coordinated with the State Treasurer's office for this information.

**Please consult your tax advisor for further advice.**

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