

## **NEWS RELEASE**

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### **COLLEGE SAVINGS FOUNDATION APPLAUDS PENNSYLVANIA FOR PROVIDING STATE TAX DEDUCTION FOR THE FIRST TIME ON ALL 529 COLLEGE SAVINGS PROGRAMS**

WASHINGTON, DC, July 7, 2006 – College Savings Foundation, the leading not-for-profit dedicated to enabling American families to achieve their education savings goals, today applauded the State of Pennsylvania for passing a law that for the first time provides a state tax deduction on contributions to any qualified 529 college savings program.

Signed by Governor Edward G. Rendell effective July 6, 2006, the new law benefits Pennsylvania families who are saving for a future education by investing in qualified tuition account programs. Pennsylvania families are now eligible for up to \$12,000 per beneficiary in state tax deductions, in addition to the Federal tax benefits, for contributions made to any qualified 529 plans. The bill also eliminates the so-called “back-end” disparity that previously did not allow state tax exemptions for distributions on out-of-state plans.

“Governor Rendell and the State legislature have both streamlined and sweetened the savings and investing process for Pennsylvania families planning for their children’s college education,” said Kevin McMullen, Chairman of the CSF Government Affairs Committee. Mr. McMullen went on to applaud Representatives Mike Turzai and Robert J. Flick for introducing this legislation. “Not only will Pennsylvania families now receive a substantial state tax deduction, but they also will benefit from tax exemptions on distributions of any 529 plan.”

“With the new qualified tuition account program tax breaks, it immediately becomes easier for families to save today for tomorrow's education by allowing their investment to stretch,” Governor Rendell said. “Qualified tuition account programs have always been a good deal for parents and others who are saving for higher education. The tax deduction contained in this year's budget will make the plans even more attractive because parents will not have to pay tax on the money they set aside for higher learning.”

Beginning this year, contributions to any qualified tuition account program, including those offered by other states, will be eligible for a state income-tax deduction. Pennsylvania is one of only a few states to offer tax deductions for contributions to any state program. The new law also provides a state tax exemption for distributions from qualified tuition savings plans.

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“By providing a state tax deduction for all 529 college savings plans, and enabling state tax deductions on distributions of qualified plans, Pennsylvania is encouraging its families to save,” said Charles Toth, CSF Secretary.

The growing college education tab underscores the importance of every savings advantage. The average annual total cost of attending a 4-year public and a 4-year private college or university in 2005-2006 has increased 6.6% (to \$12,127) and 5.7% (to \$29,026), respectively<sup>1</sup> according to The College Board. Assuming such costs increase by 5% a year, the projected cost of college in 15 years will be more than \$100,000 for a 4-year public college and more than \$200,000 for a 4-year private college.

Section 529 college savings plans, which are offered on a state-by-state basis, give federal income tax-free treatment to earnings and on distributions made from plan accounts when used for qualified higher education expenses. While individual states create their own 529 plans, federal law does not require a state resident to invest in the in-state plan; instead, it provides a platform on which a nationwide network of state-sponsored 529 plans can compete, providing families with various options from which to choose to save for the cost of college education.

The College Savings Foundation (CSF) is a Washington, D.C.-based not-for-profit organization with the mission of helping American families achieve their education savings goals, by working with public policy makers, media representatives and financial services industry executives in support of education savings programs. For more information on CSF and its mission, please access [www.collegesavingsfoundation.org](http://www.collegesavingsfoundation.org)

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<sup>1</sup> The College Board, Trends in College Pricing, at 5 (2005).