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COLLEGE SAVINGS FOUNDATION APPLAUDS ILLINOIS BILL REMOVING STATE TAX ON DISTRIBUTIONS OF OUT-OF-STATE 529 PLANS

WASHINGTON, DC, August 8, 2007 – College Savings Foundation, the leading not-for-profit enabling American families to achieve their education savings goals, today applauded the Illinois State legislature for passing into law a bill that removes the state tax on qualified distributions from a non-Illinois 529 college savings plan.

“This bill opens up possibilities and eliminates confusion for Illinois residents who want to use 529 plans to save for their children’s college education,” said Kevin McMullen, College Savings Foundation Vice Chairman. “By eliminating state taxes on distributions from out-of-state 529 plans, the bill makes it easier for Illinois families to compare and select the right 529 college savings plan for their needs.”

The new law, Illinois House Bill 376, is effective on distributions dating back to January 1, 2007.

“Illinois has become more aligned with the spirit of the Federal law, which does not tax any 529 plan distributions,” David Pearlman, College Savings Foundation Chairman, added.

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.

“529s,” as they are called, are intended to support families in meeting the relentlessly rising expenses of a college education. The average annual tuition costs of attending a 4-year public and a 4-year private college or university in 2006-2007 have increased 6.3% and 5.9% respectively from a year earlier. Including room, board and expenses, the total costs are now \$12,796 per year for a 4-year public college and \$30,367 for a 4-year private college, according to The College Board.^{1[1]} 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.

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