



CollegeSavings
FOUNDATION

March 16, 2006

The Honorable Linda Gray
Chairman, Committee on Higher Education
Arizona Senate
Capital Complex
1700 West Washington Street
Phoenix, AZ 85007

Re: Amend H.B. 2280 to Provide Tax Equity

Dear Chairman Gray:

The College Savings Foundation ("CSF"), a 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, opposes H.B. 2280 because it would only provide to Arizona residents a state tax deduction for contributions to the Arizona Family College Savings Program.


By providing preferential tax treatment for the Arizona plan, you are harming families saving for post-secondary education in a number of ways. First, when state sponsorship is combined with preferential tax treatment, an inflexible and noncompetitive environment is created that will adversely impact Arizona residents. Residents are essentially held "captive" and the 529 plan provider has insufficient incentive to innovate and improve quality and service. Second, as a policymaker, you are in effect making investment decisions for your constituents. Yet the in-state plan's particular provider and investment selections may not be a good investment fit for all residents. Third, preferential tax treatment adds a level of complexity that may drive potential investors into less optimal education savings vehicles or cause residents to forego college savings altogether.

CSF strongly supports legislation that would provide a state income tax deduction for contributions to the Arizona Family College Savings Program or any other 529 plan. Only through full tax equity can a true nationwide network of 529 plans exist to provide Arizona residents with the flexibility and choice to invest in the savings plan best suited to their needs. The attractive federal tax characteristics of 529 plans combined with the state tax deduction for residents who contribute to *any* qualified 529 plan will result in broader use of 529 plans and an overall increase in education savings. This increased savings will lead to more Arizona residents being able to afford college, which will in turn produce a more highly educated and skilled constituency.

Honorable Linda Gray
March 16, 2006
Page 2

CSF strongly urges the Committee on Higher Education to amend H.B. 2280 to provide the state tax deduction to contributions to any qualified 529 plan. Please feel free to contact me through our national headquarter office in Washington, DC at (202) 223-2631, if you need additional information.

Sincerely,

A handwritten signature in black ink that reads "Kevin L. McMullen". The signature is written in a cursive style with a large, stylized "K" and "M".

Kevin L. McMullen
Chair, Government Affairs Committee