

COLLEGE SAVINGS FOUNDATION

Talking Points

What are your views about the state-sponsored nature of 529 plans?

We at the College Savings Foundation recognize and value the central role that state governments play in sponsoring and overseeing 529 programs around the country. From the very beginning, states spearheaded development of what we now know as Section 529 programs when they created pre-paid college tuition programs. Later, states also created savings plans to help families pre-fund higher education costs. CSF members, some of which are state agencies themselves, partner with the sponsoring states to ensure that families saving for college in 529 plans have access to high-quality program administration, customer service and investments. We at CSF highly value the role of the states and our partnership with state governments.

What are your views about state tax treatment of 529 plans?

This is obviously an issue that state legislatures and governors grapple with and there are differences of views about whether the state tax consequences to a resident should be equal regardless of whether a particular resident chooses to invest in an in-state or other 529 plan to save for higher education. We are here today, however, to focus on the key issues surrounding federal tax treatment of 529 plans and on that issue there is absolute unity among all stakeholders in the 529 plan industry. In this regard, all are unified about the importance of making permanent the tax-free nature of qualifying withdrawals from 529 plans if these plans are to serve the higher education financing needs of American families. Whatever the state tax treatment of 529 plans, they will not continue to be the successful college savings tool they are today if this critically important federal tax rule is not made permanent.