



March 1, 2006

Honorable Members of the Higher Education and Employment Advancement Committee
Room 1800 Legislative Office Building
Hartford, CT 06106

Re: HB 5526 Should be Amended to Provide Tax Equity

Dear Honorable Members of the Committee:

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 HB 5526 because it would only provide to Connecticut residents a state tax deduction for contributions to the Connecticut Higher Education Trust, Connecticut’s 529 savings program.

By providing preferential tax treatment for the Connecticut 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 Connecticut 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 *any* 529 plan. Only through full tax equity can a true nationwide network of 529 plans exist to provide 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 Connecticut residents being able to afford college, which will in turn produce a more highly educated and skilled constituency.

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CSF strongly urges the Higher Education and Employment Advancement Committee to amend HB 5526 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 fluid and cursive, with "Kevin" and "L." being smaller than "McMullen".

Kevin L. McMullen
Chair, Government Affairs Committee