



CollegeSavings
FOUNDATION

January 30, 2006

Honorable Dennis E. Leh, Chairman
House Finance Committee
209 Ryan Office Building
Harrisburg, PA 17120-2020

Honorable David K. Levdansky, Chairman
301 Irvis Office Building
Harrisburg, PA 17120-2020

Re: Support of House Bills 2096 and 529

Dear Chairmen Leh and Levdansky:

On behalf of 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, I wish to extend CSF's support for House Bills 2096 and 529. HB 2096 would extend favorable tax treatment to Pennsylvania residents investing in any qualified 529 plan. HB 529 would provide residents with an exclusion from gross income for amounts withdrawn for qualified higher education expenses from any 529 plan.

We commend your Committee for holding a hearing on both of these bills on Thursday, February 2, 2006 and request that you share with the Committee our support of these bills. Both bills would encourage Pennsylvania residents to save for college by investing in qualified 529 plans. We applaud your interest in encouraging savings for college.

As you know, 529 plans are considered an attractive way for families to save for college. A major benefit of these plans to Pennsylvania residents is the federal tax treatment. Section 529 of the Internal Revenue Code allows residents to make after-tax contributions to 529 plans, have earnings grow federal income tax free, and take tax-favored withdrawals for qualified higher education expenses.

The attractive federal tax characteristics of 529 plans combined with the favorable tax treatment provided by these bills will result in broader use of 529 plans and an overall increase in education savings. This increased savings will lead to more Pennsylvania residents being able to afford college, which will in turn produce a more highly educated and skilled constituency. The College Board in its 2004 report “Education Pays: The Benefits of Higher Education for Individuals and

Society” and its 2005 supplement documented many of the individual and societal benefits generated by higher education. According to the College Board, college graduates will earn an average of about \$1 million more than their counterparts with a high school diploma over the course of their careers. With a better-educated and more affluent constituency, Pennsylvania will realize higher income tax revenues and will attract more companies requiring skilled employees.

I have enclosed a paper titled “The Many Benefits of State Tax Equity for 529 Plans.” This paper outlines the harmful effects that occur when a state-sponsored plan is combined with preferential state tax treatment for the in-state plan. It also discusses the advantages of state tax equity.

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

Enclosure