



CollegeSavings
FOUNDATION

March 30, 2006

The Honorable Members of the House Committee on Finance
Attention: John Mansolillo
State House
Providence, RI 02903

Re: Support of HB 7062

Dear Honorable Members of the Committee:

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 HB 7062. Currently, Rhode Islanders receive a state income tax deduction on contributions up to \$500 for single filers and \$1,000 for joint filers to the *CollegeBoundfund*. HB 7062 would extend this favorable tax treatment to contributions to *any* qualified 529 plan.

We commend your Committee for holding a hearing on this bill on March 10, 2006 and we applaud your interest in encouraging Rhode Islanders to save for college. As you know, it is now more important than ever for Rhode Island families to save for college. According to the College Board, the total cost (in-state tuition and fees plus room and board) for a resident attending the University of Rhode Island for the 2005 fall semester is approximately \$15,844. If these costs increase by 5.0% a year, the total cost of attending the University of Rhode Island in 15 years will be more than \$141,000.

529 plans are considered by many personal financial experts as the best way for families to save for college. A major benefit of these plans to Rhode Islanders is that they can make after-tax contributions to 529 plans, have earnings grow tax free, and take tax-favored withdrawals for qualified higher education expenses. 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 residents being able to afford college.

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I am sending to you with this letter "The Many Benefits of State Tax Equity for 529 Plans." This paper outlines the disadvantages for families caused by the lack of state tax equity and how state tax equity advances a state's interests. I hope you find this paper helpful.

CSF applauds Treasurer Paul Tavares for his support of HB 7062 and strongly urges the House Committee on Finance to recommend passage of this bill.

Please feel free to contact me through our national headquarters office in Washington, DC at (202) 223-2631, if you need additional information.

Sincerely,



Kevin L. McMullen

Chair, Government Affairs Committee

Enclosure

CC: Paul J. Tavares, General Treasurer
Office of the Rhode Island General Treasurer
State House, Room 102
Providence, RI 02903
(with enclosure)