

Statement
Insurance Association of Connecticut

Banks Committee

February 28, 2008

SB 218, An Act Providing An Income Tax Deduction For
Contributions To Any Tax Qualified 529 Plan

The Insurance Association of Connecticut supports HB 5047, An Act Providing An Income Tax Deduction For Contributions To Any Qualified 529 Plan.

SB 218 seeks to extend the tax deduction granted last year to participants of the state's education trust account, "CHET", to participants of any qualified 529 plan. 529 plans encourage families to save for college and enable them to rely less on debt to finance their costs.

Last year legislation was passed that permitted tax deductions only for contributors to CHET. Such a limitation is contrary to the goal of encouraging all families to save for college and also granted the state an unfair advantage in the competitive market.

Furthermore, restricting the applications of the deduction to one specific 529 plan provides a great disservice to the consumer. Not all investor's needs are the same. That is why different 529 investment opportunities appeal to different customers. Families should be able to select a plan that best meets their investment needs. That decision should not be decided solely because a tax deduction is available.

SB 218 levels the playing field between the competing plans by providing parity of the tax benefit to all 529 plans.

The IAC urges your adoption of SB 218.