



SIFMA[®]

Securities Industry and
Financial Markets Association

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February 27, 2008

Senator Bob Duff, Co-Chair
Representative Ryan Barry, Co-Chair
Banks Committee
Legislative Office Building, Room 1800
Hartford, CT 06106

RE: S.B. 218 (RAISED) AN ACT PROVIDING AN INCOME TAX DEDUCTION FOR CONTRIBUTIONS TO ANY QUALIFIED 529 PLAN

Dear Chairman Duff and Chairman Barry:

The Securities Industry and Financial Markets Association (SIFMA)¹ is writing to express its strong support for S.B. 218. This legislation would allow Connecticut residents who contribute to any qualified 529 plan to deduct the amount of that contribution – up to a maximum of \$10,000 per year per married couple filing jointly – from their gross income for state tax purposes.

Saving for your children's college education can be a daunting task. The College Board reports that the current price tag for **one year** of undergraduate education is \$13,589 for public institutions and \$32,307 for private institutions. Multiply that number by four years, and parents and students are facing total college costs that currently range between roughly \$54,000 and \$130,000. Furthermore, college costs are only going up. Over the last five years, after adjusting for inflation, total costs have increased 40% at four-year public colleges and 30% at four-year private colleges and universities. In light of these numbers, a U.S. Commerce Department report that the personal savings rate of Americans in 2006 (the last year for which data is currently available) has dropped to negative 1% is particularly troubling.

Paying for college requires extensive planning and saving. Many entities, including Kiplinger's and savingforcollege.com, believe that 529 plans are the best college savings vehicle. A major reason why these plans are so attractive is that the Economic Growth and Tax Relief Reconciliation Act of 2001 makes earnings on 529 plans free from federal tax so long as they are used for qualified education expenses. In addition, most states- including Connecticut – have followed the federal government's lead and don't tax 529 earnings.

¹ The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

SB 218 is good public policy because it gives Connecticut residents an additional incentive to save for college. Residents who contribute to any qualified 529 plan would be permitted to deduct contributions of up to \$10,000 per married couple filing jointly from their state taxable income. We applaud you for advancing legislation that further encourages Connecticut residents to save for the education needs of their children.

As you undoubtedly know, an educated population provides tremendous benefits to the state. According to the U.S. Census Bureau, people with bachelor's degrees earn over 70% more on average than those with only a high school diploma, and the earnings gap between a high school and a college graduate is more than \$1,000,000 over a lifetime. In addition, a College Board report entitled "Education Pays" concluded that college graduates not only make more but they also have lower levels of unemployment, are less likely to depend on social programs, and have lower smoking and incarceration rates.

For the reasons stated above, SIFMA encourages the Committee to support SB 218. Please feel free to contact me at 212-313-1311 or Patrick McCabe, our representative, at 860-293-2581 if you have any questions.

Sincerely,



Kim Chamberlain
Managing Director & Counsel
State Government Affairs