

## **529 COLLEGE SAVINGS PLANS TALKING POINTS**

### **529 College Savings Plans Background**

- 529 plans are the primary tax advantaged way for families to save for college, and plans are currently administered by 49 states and the District of Columbia
- Research shows that children with a college savings account in their name are six to seven times more likely to attend a four-year college, compared with similar children with no dedicated account
- 529 accounts have never been more popular: The total number of accounts increased from 2.4 million in 2001 to over 12 million at the end of 2014
- This growth has largely been driven by investment from middle class Americans, and 39 percent of accounts are being funded with automatic contributions that average \$146 per month

### **Legislative Background**

- Congress established Internal Revenue Code Section 529 nearly 20 years ago, and in 2001, federal tax law was changed to provide for the current tax-free earnings on 529 withdrawals used for qualified higher education expenses
- The tax-exempt treatment of 529 plans was made permanent in 2006, with the support of an overwhelming majority of the House and Senate

### **Current Congressional Actions**

- In February, the U.S. House of Representatives passed H.R. 529 by a bipartisan vote of 401-20, reinforcing Congress' continued support for the growth and improvement of 529 plans
- H.R. 529 includes three commonsense improvements to these plans:
  - Makes computers a qualified higher education expense;
  - Eliminates the distribution aggregation requirement, reducing unnecessary paperwork burdens for 529 administrators
  - Allows for the redeposit of refunds for students without penalty if a student is forced to withdraw
- NAST and CSPN strongly support H.R. 529 and its Senate companion bill S. 335, and look forward to working with the Senate to pass the bill in the coming weeks
- NAST and CSPN ask Congress to maintain the current tax treatment of 529s, and urge Congress and the Administration not to place income caps or restrictions on investments in 529 plans as such restrictions could lead to higher fees and hinder the ability for families to save for college

### **Concluding Points**

- 529 plans are working: They are encouraging higher education and helping families cope with the rising cost of college and the crushing burden of student loan debt
- 529 plans are affordable and accessible for low and moderate income families: Most plans allow minimum contributions as low as \$15-25 per month to encourage participation by families of all income levels
- In today's competitive economy, it has never been more important to develop successful graduates from our nation's public, private, community, technical, and vocational schools, and 529 plans are an indispensable tool for promoting higher education

**FOR SENATE OFFICES:** *NAST and CSPN strongly support S.335 and ask that you: 1) consider cosponsoring this legislation by contacting Senator Grassley's (R-IA) office or Senator Casey's (D-PA) office; and 2) weigh in with Senate Leadership to ask them to schedule a vote on S.335/H.R. 529 without delay*

**FOR HOUSE OFFICES:** *NAST and CSPN thank the House for its strong bipartisan vote in support of H.R. 529 and look forward to continuing to work with Congress to support policies that enhance and promote college savings*