



January 30, 2006

The Honorable Steve Huffman
Chairman, House Ways and Means Committee
Arizona House of Representatives
Capitol Complex
1700 West Washington Street
Phoenix, Arizona 85007-2890

Re: SIA Support of Arizona House Bill 2280, as amended

Dear Chairman Huffman:

The Securities Industry Association is writing to express its strong support for HB 2280, as amended.¹ This legislation would allow Arizona residents who contribute to any qualified 529 plan to deduct the amount of that contribution – up to a maximum of \$2,000 per year or \$4,000 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. According to the College Board, the average cost for **one year** of a public college in 2005-2006 was \$12,127, while the average cost for **one year** of a private college or university was \$29,026. Multiply that number by four years, and parents and students are facing total college costs that currently range between roughly \$48,000 and \$116,000. Moreover, 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 18% at four-year private colleges and universities.

Paying for college requires extensive planning and saving. Many entities, including Kiplinger and Savingforcollege.com, currently consider 529 plans to be one of the best places to invest college savings. A major reason why these plans are so attractive is that the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) 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 Arizona – have followed the federal government's lead and don't tax 529 earnings.

¹ The Securities Industry Association brings together the shared interests of approximately 600 securities firms to accomplish common goals. SIA's primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2004, the industry generated \$236.7 billion in domestic revenue and an estimated \$340 billion in global revenues. (More information about SIA is available at: www.sia.com.)

HB 2280 is good public policy because it gives Arizona 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 \$4,000 per married couple filing jointly per year from their state taxable income. We applaud you for sponsoring legislation that further encourages Arizona residents to save for the education needs of their children.

This additional tax incentive is good not just for Arizona residents, but also for the state itself. Encouraging people to go to college makes sound economic sense for 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. In short, there are many benefits to having state residents graduate from college.

For the reasons stated above, SIA urges the House Ways and Means Committee to view HB 2280 favorably. Please feel free to contact me at 212-720-0611 or my counsel, Greg Harris, at 602-262-0218 if you have any questions.

Sincerely,

Kim Chamberlain
Vice President and Counsel
State Government Affairs