



January 26, 2006

The Honorable Kenny Wilk
Chairperson, Taxation Committee
Kansas State Capitol
Room 426-S
300 SW 10th Street
Topeka, KS 66612

Re: SIA Support of House Bill 2573

Dear Chairman Wilk:

On Friday, January 27th, your Committee is holding a hearing on HB 2573, legislation that extends favorable state tax treatment to all qualified 529 plans. The Securities Industry Association¹ (SIA) wanted to take this opportunity to express its strong support for the bill.

As you may know, Kiplinger, Savingforcollege.com, and a host of other entities view 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. Furthermore, most states – including Kansas – conformed their tax laws to ensure that 529 earnings were not taxed at the state level.

In addition, Kansas residents who contribute to the state-sponsored 529 plan receive an up front state tax deduction for contributions of up to \$6,000 per married couple filing jointly. Recognizing that encouraging college savings is good public policy, HB 2573 extends this tax benefit to Kansas residents who contribute to any qualified 529 plan.

There are several reasons why it is important to extend the current up front tax incentive to all qualified 529 plans. First, limiting a state tax deduction to specific state sponsored plans effectively limits consumer choice. The problem with giving preferential state tax treatment to one plan is that the up-front deduction often plays too large a role in plan selection. By extending the tax benefit to Kansas residents who contribute to any qualified 529 program, HB 2573 levels the playing field among plans. Kansas residents are then able to make investment choices based on a wide range of criteria, such as: investment objective and risk level, fund options, manager reputation, return rates and /or expenses and sales loads.

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.)

Second, HB 2573 encourages competition among plans. Plans will compete for business based on factors such as plan performance, customer service, and fees. Increased competition among the plans should result in even better options for consumers.

Finally, many Kansas residents rely upon investment professionals to help meet their college savings needs. Because these investment professionals are familiar with the family's entire investment portfolio, they are in a unique position to help residents select the 529 plan that fits best with their needs and goals. Extending equal tax treatment to all 529 plans allows these residents to continue working with trusted advisers, and allows those advisers to explore a variety of options before making investment recommendations.

SIA applauds Treasurer Lynn Jenkins for supporting this legislation and urges the House Taxation Committee to view HB 2573 favorably.

Please feel free to contact me at 212-720-0611 should you have any questions.

Sincerely,

Kim Chamberlain
Vice President and Counsel
State Government Affairs