



April 4, 2014

The Honorable Susan A. Bonilla  
California State Assembly  
State Capitol, Room 4140  
Sacramento, CA 95814

RE: AB 1956 support as amended April 1, 2014

Dear Assemblywoman Bonilla:

The Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> is writing to express its strong support for AB 1956 as recently amended. This legislation would allow California residents who contribute to any qualified 529 plan to obtain a tax credit worth 20% of the contribution, up to a maximum of \$500.

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 (tuition, room and board) at a four year public in-state institution is \$18,381 and \$40,917 for one year at a private institution.<sup>2</sup> When grant aid and tax benefits are factored in, the average net cost per student for the 2013-2014 academic year is expected to be \$12,629 for four year public institutions and \$23,290 for four year private institutions.

Furthermore, college costs are only going up. Over the last ten years, after adjusting for inflation, total costs have increased 3.2% per year at four-year public colleges and universities and 2.1% at four-year private colleges and universities.<sup>3</sup> These numbers are particularly troubling in light of the nation's current economic conditions.

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 California – have followed the federal government's lead and don't tax 529 earnings.

---

<sup>1</sup> The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA has offices in New York and in Washington, D.C. For more information, visit <http://www.sifma.org>.

<sup>2</sup> <https://trends.collegeboard.org/college-pricing>

<sup>3</sup> <https://trends.collegeboard.org/college-pricing/figures-tables/average-rates-growth-tuition-and-fees-over-time>

AB 1956 is good public policy because it gives California residents an additional incentive to save for college. Residents who contribute to any qualified 529 plan would get a tax credit worth 20% of their contribution, up to a maximum of \$500. We applaud you for advancing legislation that further encourages California 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<sup>4</sup>, and a recent Georgetown University study finds that the earnings gap between a high school and a college graduate is roughly \$1,000,000 over a lifetime<sup>5</sup>. In addition, a College Board report entitled "Education Pays 2013" concluded that college graduates have substantially higher median incomes than their high school counterparts and are more likely to receive health insurance and pension benefits. They also are healthier, have lower levels of unemployment, and are significantly less likely to receive public assistance.<sup>6</sup>

For the reasons stated above, SIFMA supports AB 1956 as amended on April 1. Please feel free to contact me at 212-313-1311 or my lobbyist, Joanne Bettencourt, at 916-447-8229 if you have any questions.

Sincerely,



Kim Chamberlain  
Managing Director and Associate General Counsel  
State Government Affairs

cc: Assemblyman Bocanegra, Chair of Assembly Revenue & Taxation Committee  
Assembly Revenue & Taxation Committee Members

---

<sup>4</sup>[http://www.bls.gov/emp/ep\\_chart\\_001.htm](http://www.bls.gov/emp/ep_chart_001.htm)

<sup>5</sup><http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/collegepayoff-complete.pdf>

<sup>6</sup> <https://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report.pdf>