



Invested in America

June 30, 2015

The Honorable Michael J. Rodrigues
The Honorable Jay R. Kaufman
Chairmen of the Joint Committee on Revenue
The Commonwealth of Massachusetts
State House
Boston, MA 02133

**RE: S. 1604 – An Act relative to family and education savings plans
S. 1468 – An Act building real incentives for college savings**

Dear Chairmen Rodrigues and Kaufman:

The Securities Industry and Financial Markets Association (SIFMA)¹ is writing to express its concerns about S. 1604 and S. 1468 as currently drafted. These bills would, among other things, allow Massachusetts residents who contribute to the state sponsored 529 plan to deduct that contribution from their gross income for state tax purposes, up to \$5000 per single taxpayer and \$10,000 per married couple filing jointly. While SIFMA applauds the bill sponsors for looking at ways to encourage residents to save for college, we strongly believe that Massachusetts residents would substantially benefit from an amendment which enabled them to claim the deduction if they contributed to the Massachusetts plan or to any other qualified 529 plan.

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 \$18,943 and the price tag for one year at a private institution is \$42,419. When grant aid and tax benefits are factored in, the average net cost per student for the 2014-2015 academic year was expected to be \$12,830 for four year public institutions and \$23,550 for four year private institutions.²

Further, college costs are only rising. Over the last decade, the inflation adjusted price for tuition and fees increased by 42% at four-year public colleges and universities and 24% at four-year private colleges and universities.³ Moreover, college costs have outpaced inflation every year since the early 1980s⁴ – sometimes reaching as high as 9.5% beyond the inflation rate.⁵

¹ SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA has offices in New York and Washington, D.C. For more information, visit <http://www.sifma.org>.

² <http://trends.collegeboard.org/sites/default/files/2014-trends-college-pricing-final-web.pdf> at pages 3 and 10.

³ See College Board report linked above at page 7.

⁴ Bloomberg Business, "College Tuition in the U.S. Again Rises Faster Than Inflation." Nov. 2014. Available at: <http://www.bloomberg.com/news/articles/2014-11-13/college-tuition-in-the-u-s-again-rises-faster-than-inflation>.

⁵ College Board, "Tuition and Fees and Room and Board Over Time, 1974-75 to 2014-15, Selected Years." Available at: <http://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-board-time-1974-75-2014-15-selected-years>.

Paying for college requires extensive planning and saving. Many entities, including Kiplinger's and www.savingforcollege.com, believe that 529 plans are the best college savings vehicle, and nearly 1 in 3 families saving for college utilize 529 plans.⁶ A major reason why these plans are so attractive is that earnings on 529 plans are free from federal tax, as long as they are used for qualified education expenses; most states – including Massachusetts – provide similar benefits.

While S. 1468 and S. 1604 create a generous deduction for contributions to the state sponsored 529 plan, simply ensuring that individuals have access to a 529 college savings plan is insufficient. It is important that state residents have access to the *right* 529 college savings plan. In preparing for the significant expenditures of higher education, families should be encouraged to choose the 529 plan that best suits their investment needs, taking into account such factors as investment options, risk tolerance, rate of return on investment, and the assistance of a trusted financial professional. We therefore respectfully ask that the legislation be amended to make the deduction applicable to residents who contribute to any qualified 529 plan.

As you undoubtedly know, an educated population provides tremendous benefits to the state. According to a recent study done by the Pew Research Center, young adults with a high school diploma earned on average only 62% of the salary of college graduates.⁷ 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.⁸

Thank you for your time and consideration. Please feel free to contact me at 212-313-1311 or SIFMA's Massachusetts lobbyists Roger Donoghue and Tara O'Donnell at 617-720-5090 if you have any questions.

Sincerely,



Kim Chamberlain
Managing Director and Associate General Counsel
State Government Affairs

⁶ Sallie Mae, "How America Pays for College," at pg. 24. Available at: http://news.salliemae.com/files/doc_library/file/HowAmericaPaysforCollege2014FNL.pdf

⁷ <http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>

⁸ <https://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report.pdf>