



*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: H. 2696 – An Act relative to tax deductions for contributions to college savings plans  
S. 1612 – An Act relative to tax deductions for contributions to college savings plans**

Dear Chairmen Rodrigues and Kaufman:

The Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> is writing to express its support for H. 2696 and S. 1612. These bills would allow Massachusetts residents who contribute to any qualified 529 plan to deduct that contribution from gross income for state tax purposes, up to \$500 per single taxpayer and \$1000 per married couple filing jointly.

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.<sup>2</sup>

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.<sup>3</sup> Moreover, college costs have outpaced inflation every year since the early 1980s<sup>4</sup> – sometimes reaching as high as 9.5% beyond the inflation rate.<sup>5</sup>

Paying for college requires extensive planning and saving. Many entities, including Kiplinger's and [www.savingforcollege.com](http://www.savingforcollege.com), believe that 529 plans are the best college savings vehicle, and nearly 1 in

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<sup>1</sup> 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>.

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

<sup>3</sup> See College Board report linked above at page 7.

<sup>4</sup> 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>.

<sup>5</sup> 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>.

3 families saving for college utilize 529 plans.<sup>6</sup> 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.

H. 2696 and S. 1612 promote good public policy because they give Massachusetts residents an additional incentive to save for college. Residents who contribute to any qualified 529 plan, including those offered through the Massachusetts Educational Financing Authority, would get to deduct their contribution from gross income for state tax purposes up to \$500 per single taxpayer or \$1000 per married couple filing jointly. We applaud the bill sponsors for advancing legislation that further encourages Massachusetts residents to save for the education needs of their children.

SIFMA strongly believes that these bills are preferable to legislation which limits any deduction to only those contributions made to the Massachusetts 529 plan. Residents 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. H. 2696 and S. 1612 give state residents that opportunity.

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.<sup>7</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>8</sup>

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

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<sup>6</sup> Sallie Mae, "How America Pays for College," at pg. 24. Available at: [http://news.salliemae.com/files/doc\\_library/file/HowAmericaPaysforCollege2014FNL.pdf](http://news.salliemae.com/files/doc_library/file/HowAmericaPaysforCollege2014FNL.pdf)  
<sup>7</sup><http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>  
<sup>8</sup><https://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report.pdf>