



February 19, 2015

The Honorable Jim Patterson
California State Assembly
State Capitol, Room 4140
Sacramento, CA 95814

RE: Support for AB 209, as introduced

Dear Assemblyman Patterson:

The Securities Industry and Financial Markets Association (SIFMA)¹ is writing to express its strong support for AB 209 as recently introduced. This legislation would allow California residents who contribute to any qualified 529 plan to deduct that contribution from gross income for state tax purposes, up to \$3000 per single taxpayer and \$6000 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 is expected to be \$12,830 for four year public institutions and \$23,550 for four year private institutions.²

Furthermore, college costs are only going up. Over the last ten years, 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 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.

AB 209 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 to deduct their contribution

¹ 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>.

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.

from gross income for state tax purposes up to \$3000 per single taxpayer, \$6000 per married couple filing jointly. 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 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.⁴ 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.⁵

For the reasons stated above, SIFMA supports AB 209. 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

⁴<http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>

⁵<https://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report.pdf>