

THE COUNCIL OF STATE GOVERNMENTS

**RESOLUTION SUPPORTING PERMANENCY FOR BENEFICIAL TAX
TREATMENT OF COLLEGE SAVINGS PLANS**

Endorsing the Hart-Pomeroy College Savings Act of 2005 and calling for prompt enactment to further encourage families to plan and save for college costs.

WHEREAS, in 2001, as part of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), Congress enacted legislation that exempted the earnings from a Section 529 Qualified Tuition Program from federal taxes when used by a beneficiary for qualified higher education expenses; and

WHEREAS, the “tax-free” status of Section 529 plans encouraged record numbers of parents to start saving for their children’s college expenses. Assets in Section 529 plans nationwide have grown from \$13 billion in 2001 to more than \$65 billion today; and

WHEREAS, the Economic Growth and Tax Relief Reconciliation Act also included important operational provisions that made Section 529 plans more user friendly and easier and less expensive to administer; and

WHEREAS, the tax-free treatment and the operational improvements will, however, expire on December 31, 2010, and the less favorable pre-2002 rules will again apply. This would result in the earnings on qualified distributions being taxed at the beneficiary’s tax rate and the reinstatement of burdensome and expensive operational requirements; and

WHEREAS, the qualified tuition programs promote the public policy goal of encouraging families to plan for and save for higher education expenses, relying on their own resources to pay the high cost of a higher education, and reducing reliance on debt and government aid; and

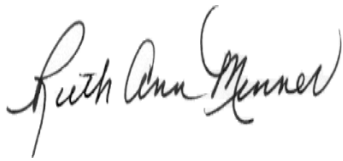
WHEREAS, by encouraging savings and decreasing debt, the programs reduce the debt burdens of both parents and college graduates which in the long term, increases educational resources for lower-income parents and children; and

WHEREAS, reversion to the pre- Economic Growth and Tax Relief Reconciliation Act will reduce the attractiveness of the programs and increase administrative costs for the states, which will affect the long-term savings strategies of working individuals, undermine the purpose of these provisions and jeopardize savings and long-term growth.

BE IN NOW THEREFORE RESOLVED, that The Council of State Governments urges the President and the Congress of the United States to promptly enact legislation to make the beneficial tax treatment of the Section 529 plans permanent within the Internal Revenue Code

BE IT FURTHER RESOLVED, that The Council of State Governments does hereby endorse and support the College 529 Investment in Education Savings for Tomorrow Act of 2005 (“College 529 InvEST Act”).

Adopted this 8th Day of June, 2005 at the
CSG National Committee and Task Force Meetings
In Lake Tahoe, California



Governor Ruth Ann Minner
2005 CSG President



Assemblyman Lynn Hettrick
2005 CSG Chair