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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Colleges and Universities...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (November 2012)



Jack C. Voight

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State Treasurer of Wisconsin

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February 22, 2005

To The Chair and Members of the Colleges and Universities Committee

RE: AB 31 Testimony

Talking Points supporting AB 31

1. Greater investor choice for Wisconsin investors
2. Our Wisconsin EdVest vendor would be more competitive.
3. Treasurer Voight believes that the state tax impact would be less than projections indicate.

Concern Talking points regarding AB31

1. Investor rollover and rollover of out of state 529 accounts.
2. The bidding of the 2006 EdVest contract could be considered less valuable to vendor.
3. Reciprocity agreement should be provided from other states if out of state investors invest in EdVest.

Olle, Marty

From: Olle, Marty
Sent: Tuesday, February 15, 2005 3:25 PM
To: Nelson, Kirstin B
Subject: FW: College Savings Program Data - Updated

Kirstin -- Update on item #7. There was 16% gain in the last quarter of 2004, propelling the national growth rate for 529 plans to 49% over 2003 levels. The total invested nationally is now \$52.3 billion! Marty

-----Original Message-----

From: Olle, Marty
Sent: Tuesday, February 15, 2005 1:46 PM
To: Nelson, Kirstin B
Subject: FW: College Savings Program Data - Updated

Kirstin -- Regarding this data for AB 31, we just got actual average contribution per EdVest account data for 2004. It's \$2,100. Based on that, my revised estimate of cost is as follows:

1. Assume that 0.75% of all 529 accounts in each state [other than Wisconsin] are owned by Wisconsin residents.
[This is based on actual data gathered by me last year from some of the largest 529 programs in the country.]
2. The total accounts nationally as of September 30, 2004 were 7,117,585 - 180,780 WI accounts = 6,936,805.
3. WI residents own an estimated 52,026 accounts in states other than WI. [6,936,805 x .0075]
4. Average annual contribution made by parents to an EdVest account = \$2,100.
5. First-year amount excluded from income = 52,026 x \$2,100 = \$109,254,600
6. At a marginal tax rate of 5.5%, the decrease in tax revenue would be \$109,254,600 x .055 = \$6,009,003
7. The national growth rate in 529 accounts was 25% last year [7,117,585 in Sept. 2004 / 5,677,680 Sept. 2003]. This is probably a reasonable growth rate for the next several years.

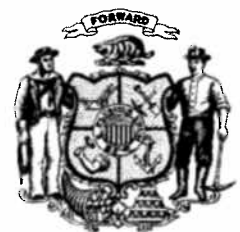


CSPN Program data
9.30.04.xls ...

Marty Olle
EdVest Program Manager
Office of the State Treasurer
608-264-7886



WISCONSIN STATE LEGISLATURE





Securities Industry Association, 120 Broadway, 35th Floor, New York, NY 10271

Good morning. My name is Kim Chamberlain, and I am Vice President and Counsel, State Government Affairs, for the Securities Industry Association.¹ SIA brings together the shared interests of nearly 600 large, medium, and small securities firms to accomplish common goals. We support state legislation across the country that extends equal tax treatment to all qualified 529 plans. It is therefore a pleasure to be here today to express SIA's strong support for AB 31.

Saving for your children's college education can be a daunting task. According to the College Board, the average cost for one year of a public college in 2004-2005 was \$11,354, while the cost for one year of a private college or university was \$27,516. Multiply that number by four years, and parents and students are facing total college costs that currently range between \$45,000 and approximately \$110,000. Moreover, college costs are only going up. Over the last decade, after adjusting for inflation, total costs have increased 36% at four year public colleges and 32% at four year private colleges and universities.

How does the average family even begin trying to save for such an important expense? Kiplinger, Savingforcollege.com, and a host of other entities currently consider 529 plans to be the best place to invest college savings.

What makes 529 plans so attractive? Earnings on most college investment options, such as stocks, CDs, or mutual funds, are taxed at the investor's rate. If a Wisconsin resident puts money away for college in one of these vehicles, he or she would have to give up to 30% of his or her earnings back to the federal government in taxes. If the resident instead puts the money into a 529 plan, earnings accrue free from federal tax so long as they are used for qualified education expenses.² This is a huge benefit, which effectively and dramatically increases the rate of return on the resident's investment. This benefit was further improved upon when most states conformed their tax laws to ensure that 529 earnings were likewise not taxed at the state level.

¹ The Securities Industry Association was established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Banker's Association. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry employs 790,600 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2003, the industry generated \$213 billion in domestic revenue and an estimated \$283 billion in global revenues. (More information about SIA is available on its home page: www.sia.com)

²As initially conceived, 529 plan earnings were taxed not at the parent/investor's rate but rather at the presumably lower tax rate of the child/beneficiary. The federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 made earnings on 529 plans free from federal tax.

SIA strongly supports AB 31 because it makes 529 plans an even more attractive savings option for Wisconsin residents. Currently, approximately 22 states give their residents a state tax deduction for contributions made to a specific, state sponsored 529 plan. Wisconsin is one of these states, as it allows residents who contribute to the EdVest College Savings Program to deduct contributions of up to \$3,000 per beneficiary per year from their state taxable income. Recognizing that encouraging college savings is good public policy, AB 31 extends this tax benefit to Wisconsin residents who contribute to any qualified 529 plan.

There are several reasons why it is important to extend the current up front tax incentive beyond the EdVest Program to all qualified 529 plans.

First, limiting a state tax deduction to a single state sponsored plan effectively limits consumer choice. We want people to pick the 529 plan that is best suited for them. We want them to look at factors such as investment options, risk, manager reputation, expense ratio, and sales load. We do not want the preferential tax status to be the sole or primary reason people select a particular 529 plan.

Yet that is what people, including myself up until recently, do. I have two daughters, ages 12 and 10, and, as a New York resident, I participated in the NY College Savings Program managed by Upromise Investments and Vanguard. I picked the plan not because it necessarily best suited my investment objectives but rather because it was the only one that gave me a substantial state tax deduction. We recently moved across the river to New Jersey. I am now looking closely at a number of different 529 options.

Second, AB 31 encourages competition among plans. Increased competition generally translates into better customer service, lower fees, greater efficiency, and better product innovation. It is important to understand that when we lobby for tax parity legislation, we are not saying that the state sponsored program is a bad option. What we are saying is that competition is good, and it will result in even better options for consumers.

Third, many Wisconsin residents rely upon investment professionals to help meet their college savings needs. Because these investment professionals are familiar with the family's entire investment portfolio, they are in a unique position to help Wisconsin residents select the 529 plan that fits best with their needs and goals. Extending equal tax treatment to all 529 plans allows Wisconsin residents to continue working with trusted advisers, and allows those advisers to explore a variety of options before making investment recommendations.

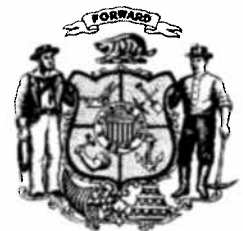
Fourth, AB 31 is consistent with the original objectives of 529 plans. Qualified tuition plans are designed to be a flexible and portable investment option as: (1) they can be used equally at any accredited public or private undergraduate, graduate or professional program in the country; (2) they are open to any investor, regardless of state residency; and (3) they can be opened by any investor (whether a parent, grandparent or non-relative) for the benefit of any future student. Proprietary state tax advantages are inconsistent with plan portability.

Finally, encouraging people to go to college is good policy and makes sound economic sense for 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, and the earnings gap between a high school and a college graduate is more than \$1,000,000 over a lifetime. In addition, a College Board report entitled "Education Pays" concluded that college graduates not only make more but they also have lower levels of unemployment, are less likely to depend on social programs, and have lower smoking and incarceration rates. In short, there are many benefits to having state residents graduate from college.

Once again, thank you for the opportunity to appear before this committee. Please let me know if you have any questions.



WISCONSIN STATE LEGISLATURE



FORWARD

Alberta Darling
Wisconsin State Senator
Co-Chair, Joint Committee on Finance

March 8, 2005

Representative Steve Nass
12 - West
State Capitol

Representative Rob Kriebich
107 - West
State Capitol

~ *Hand Delivered* ~

Dear Representatives Nass and Kriebich,

Thank you for your interest in EdVest, and for your determined effort to help those families who wish to save for their children's future educational expense.

I do not support Assembly Bill 31 because of my belief it will harm the current EdVest program by peeling away account holders, investment dollars and popularity. Also, while the entire Wisconsin College Savings Program board has not voted in favor or in opposition to AB 31, I personally expect the board to not support the bill either.

I write to respectfully request you accept an amendment to the bill prior to voting it out of committee. I would encourage a "reciprocity" amendment that could still allow the \$3,000 state tax deduction to those who invest in other state's 529 programs. I envision an amended bill that contains a reciprocity clause that extends our state tax deduction only to other states that pass similar legislation.

As you know, I fear this bill will significantly increase costs to the state, estimated at \$6 million the first year with expectations of rapid growth, and will encourage Wisconsin's precious higher education investment capital to "flee" the state to other 529 plans. We should level the playing field so that there is a fair exchange of capital in both directions. Amending the bill would allow Wisconsin's 529 plan to compete to attract investments from residents of those reciprocity states. The end result could be the exact result you are hoping to accomplish!

Finally, as a fairness issue among the states, I believe AB 31 would be more attractive if it would lead to other state's passing similar legislation. If you are interested in amending the bill in order to receive my support, and the support of others who feel like I do, please do not hesitate to contact me.

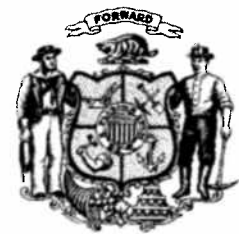
Sincerely,



Alberta Darling
State Senator



WISCONSIN STATE LEGISLATURE



4.129C

State Non-Residency Acknowledgment Letter

Account Number: _____
Owner's Name: _____
Beneficiary Name: _____

On _____ 20____, the amount of approximately \$_____ is being used to fund a 529 College Savings Account . These funds will be used to purchase:

Name of 529 College Savings Plan

I acknowledge and understand that depending on my state of residency, tax benefits may be available for contributing to my own state's 529 College Savings Plan. Many states specifically provide that qualified distributions from 529 plans are exempt from income taxes imposed on its taxpayers. There is no fully accurate survey of the states describing their treatment of distributions from out-of-state. I understand that _____ recommends that I consult with a tax professional for tax information.

I acknowledge that a program guide has been received.

This letter is to confirm my understanding of the transactions indicated above and to authorize you to invest the funds in accordance with the application.

529 Plan Owner's Signature

Date

Investment Executive Signature

Branch Manager Signature