



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Tuesday, May 24, 2005

## Grassley Introduces Bill to Make College Savings Benefit Permanent

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today introduced bipartisan legislation to make a popular college savings tax benefit permanent. Joining Grassley at a news conference today to announce the legislation were an Iowa family who is taking advantage of the savings benefit – known as a Section 529 plan – and the state’s deputy treasurer who administers the Iowa plan.

Grassley is chairman of the committee with jurisdiction over tax legislation in the Senate. Following are his remarks from the news conference. Attached are several documents describing his legislation and Section 529 plans.

Remarks of Sen. Chuck Grassley, Chairman, Committee on Finance  
News Conference on Legislation on College Savings Plans  
Tuesday, May 24, 2005

Good afternoon. Thank you to everyone for being here. I’m grateful to the Iowans and the Montanans who traveled to be with us today. On the Finance Committee, my colleagues and I work to enact tax benefits. Sometimes we have to work to make sure the benefits catch on, and that taxpayers know what’s available to them. This isn’t the case with college savings plans – know as Section 529 plans. The taxpayers are using these benefits to full advantage. Briefly, these are state-administered programs that allow families to save money in accounts that grow while federal income tax-deferred. When used to pay for “qualified higher education expenses,” the savings is federal income tax-free. Iowans love this program. I’m proud that our relatively small state has more than \$1 billion invested in Section 529 plans. Just this month, Kiplinger’s Personal Finance magazine named College Savings Iowa among the top 529 plans in the nation. (By the way, I’ll let Senator Baucus brag about Montana after I finish bragging about Iowa.)

We have with us Karen Austin, the Deputy Treasurer of Iowa, who runs Iowa’s plan. Congratulations to her on a job well-done. And we have a family who’s taking advantage of that savings plan. Clint and Deborah Smalley of Carlisle are here with their twin boys, Connor and Cameron, age 5, and their son, Cael, age 3. The Smalleys are smart to plan for the realities of life: A college education is more important than ever before. It’s also more expensive than ever before. And it’s never too early to start saving.

There are millions of families like the Smalley’s -- parents and grandparents saving for their loved ones. Nationwide, 7 million children are enrolled in one of these college savings plans. It

would be a shame to pull the rug out from under them. That's what we'd do if we let some of the tax benefits surrounding these plans to expire. In 2001, Senator Baucus and I worked to enact the tax-free treatment for distributions from Section 529 plans when used for higher education expenses. However, that tax benefit will end on January 1, 2011, if Congress does nothing. Instead, my colleagues and I are introducing legislation to make this tax benefit permanent. We want to encourage families who are planning for their children's strong future.