



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Remarks of Sen. Chuck Grassley  
Chairman, Committee on Finance  
to the National Association of State Treasurers  
Tuesday, March 7, 2006

It's very nice to be here with you today. The power of state governments is makes our American style of federal government unique. It is a model that our founding fathers handed down to us, and that governments around the world continue to emulate. As a society, we benefit from dual state and federal government. Often, we here in Washington learn lessons and adopt policies that were first put in place at the state level. State and federal partnerships improve our government at all levels. It's important that we keep talking to one another – just as it's important that we talk to the citizens whom we serve in our states. As chairman of the Senate Finance Committee, I spend a lot of my time on the same issues that you do – promoting sensible tax policy, being a good steward of public tax dollars, and finding ways to improve the services that government provides to citizens. One area that I've had the benefit of working with many of you on is 529 college savings and tuition plans.

This is where the state-federal partnership couldn't be stronger, and where Congress has really learned from the good work you do in states. We all know that one of the biggest challenges facing American families is the rising cost of college education. For two decades now, college tuition has been rising rapidly – much faster than the normal inflation rate, which has been quite low during that period. States recognized this problem very early on – largely because you have the benefit of being on the front lines of college financing through the countless public institutions of higher learning across the country.

Once states recognized the problem, you all set out to find innovative solutions, creating pre-paid tuition and college savings plans to get in front of rising tuition costs. When the tax treatment of these plans was called into question, it was Congress' turn to do its part and to clarify that tax treatment. In the 1990s, we did exactly that, and then in the 2001 tax relief bill, we went further and improved the tax treatment of 529 plans.

But unfortunately, there's still some uncertainty in the tax rules that we in Congress need to take care of. Because of arcane congressional budget rules, the good tax changes we made on 529 plans will expire at the end of this decade. So today, someone who wants to invest money for their child or grandchild's college education doesn't know if the tax benefits will be there when their loved ones go to college. I'm a proud contributor to my state, Iowa's, 529 plan, so I feel this uncertainty first-hand.

Unfortunately, for many other families, this uncertainty has prevented them from signing up

with a 529 plan altogether. That's a shame because new parents seem to want to start planning for their children's education earlier than ever. The sticker shock of college tuition gets their attention very early. The good news is we're working to fix the uncertainty. A bill I introduced last year with Senator Baucus, the ranking Democrat on the Finance Committee, would make sure that the tax advantages for 529 plans are permanent. And thanks to the efforts of all of you here in this room, we've had tremendous success in building support for this legislation. Today, a majority of United States senators have signed on in support of my bill. The bill has 53 co-sponsors, both Republican and Democrat and even the Senate's Independent, Senator Jeffords. It's pretty rare for legislation to get that much support. It shows that education is one topic that easily transcends any partisan divide.

I know that the Senate supporters have heard from all of you about the importance of making these changes permanent, and I appreciate your efforts. I don't need to tell you how important it is that we get this law made permanent as quickly as possible. In today's increasingly global world, the difference between those who lead and those who follow is often determined by the level and quality of education they receive. We need to make sure our young people are prepared and have the tools they need to compete in the 21<sup>st</sup> century world. You deserve the credit for building college tuition plans that help ensure that money is not an obstacle to achieving our goals. Thank you very much, and keep up the good work! Now I'll be glad to take your questions.