



Proponent Testimony on HB 524
From
Securities Industry & Financial Markets Association (SIFMA)
Before
House Ways and Means Committee
Tuesday, April 10, 2018

Chairman Schaffer, Vice Chair Scherer, Ranking member Rogers and members of the House Ways and Means Committee, thank you for the opportunity to provide proponent testimony on HB 524. My name is Tony Fiore of Kegler Brown Hill + Ritter and I appear today on behalf of the Securities Industry & Financial Markets Association.

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is a national trade association which brings together the shared interests of hundreds of broker-dealers, banks and asset managers, which employ more than 18,000 people in the securities industry in Ohio, and more than 230,782 people in the broader category of finance and insurance in Ohio. SIFMA appreciates this opportunity to comment on HB 524, which would expand the income tax deduction allowed for contributions to Ohio’s 529 college savings program to include contributions to all qualified 529 programs. SIFMA strongly supports this legislation to extend Ohio’s support of education savings and investment to all Ohioans, regardless of which plan provider they choose.

We urge the legislature to pass HB 524, which by extending favorable state tax treatment to all qualified 529 plans would encourage Ohioans to choose the savings option that makes the most sense for them and their family – as opposed to one specific plan that may not meet their needs. State tax treatment should not be the sole driver of investment choice.

A system that provides beneficial state tax treatment for all 529 plans allows for more competition between programs in different states - competition which necessarily leads to better plans and options, lower fees, and potentially increased education savings for families from those lower fees. Finding ways to increase educational savings is of pressing importance now, since savings rates are low (the personal savings rate of Americans in February 2018 was 3.40%)² and college costs are rising quickly.

Saving for a child’s college education can be a difficult task for most Americans. The attendance cost of a private, four-year college averages around \$51,000 per year.³ Since people with a bachelor’s degree earn about 66% more on average over the course of their lifetime than those with solely a high school diploma,³ and a well-educated workforce is a fundamental component of economic development and growth, it makes sense for the state to do everything it can to support family education savings.

¹ SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. For more information, visit <http://www.sifma.org>.

² United States Personal Savings Rate, TRADING ECONOMICS, available at: <https://tradingeconomics.com/united-states/personal-savings>.

³ Lifetime Earnings by Education Level, COLLEGE BOARD, available at: <https://trends.collegeboard.org/education-pays/figures-tables/lifetime-earnings-education-level>.

Many entities, including Kiplinger's and savingforcollege.com, believe that 529 plans are the best college savings vehicle. These plans are appealing because the Economic Growth and Tax Relief Reconciliation Act of 2001 made earnings on 529 plans free from federal tax, so long as they are used for qualified education expenses. Most states have followed the federal government's lead and do not tax 529 earnings, and many states that assess an income tax have provided a state tax benefit such as this one to encourage 529 savings contributions.

We appreciate the steps you have already taken to support and encourage Ohioans to save and invest for education costs, and believe HB 524 is another step forward in helping families plan and save.

Mr. Chairman and members of the committee, thank you again for the opportunity to provide proponent testimony on HB 524. As SIFMA's legislative counsel in Ohio, please let me know if there is any additional information we can provide to you.