



HOUSE OF REPRESENTATIVES
REPRESENTATIVES GARY SCHERER & JOHN PATTERSON

HB 193
Sponsor Testimony
October 8, 2019

Chairman Merrin, Vice Chair LaRae, Ranking member Rogers and members of the House Ways and Means Committee. Thank you for giving me the opportunity to provide sponsor testimony with my joint sponsor John Patterson.

If enacted, HB 193 would expand the income tax deduction allowed for contributions to Ohio's 529 college savings program to include contributions to any qualified 529 programs established under the Internal Revenue Service.

This language ensures that every family in Ohio receives the state tax benefits from saving in a qualified 529 College Savings Plan, whether it's with Ohio's or another qualified plan. As you may recall, we increased the tax benefit from \$2,000 to \$4,000 in the 2017 budget. Currently only families that select Ohio's 529 plan benefit from the \$4,000 tax deduction starting in 2018.

States can improve 529 plan performance and investor participation by offering these benefits to all savers in their state, regardless of the specific 529 plan in which they choose to invest. This is known as "tax parity." Offering tax parity promotes a simplified and low-cost process of saving for college, produces better returns for investors, enables more families to effectively save for college, and allows those families to focus on the important aspects of the plan rather than solely on a possible state tax deduction.

States, like **Arizona, Kansas, Maine, Minnesota, Missouri, Montana and our neighbor to the East, Pennsylvania**, have enacted plans that offer tax parity for their residents. These plans have encouraged more families to save for college and boosted investor confidence by empowering investors with the flexibility to pick the plans that suit their needs and risk preferences. Nine states don't have the option of enacting this type of tax credit. Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming—

levy no personal **income tax**. Two states, New Hampshire and Tennessee, **don't tax** wages, but do currently **tax** investment **income** and interest

As you can see from the website www.savingforcollege.com of state 529 plans Ohio's plan performs extremely well and is number 1, 3, 5, and 10 year comparison. We also discussed this legislative proposal with the Ohio Department of Higher Education and Ohio Department of Taxation. The taxation staff could not estimate the amount of revenue loss from this policy change due to the relatively small number of Ohio taxpayers that may take advantage of this credit. In addition, in the 132nd General Assembly, LSC came to a similar conclusion and estimated a very small amount of revenue impact by this change.

Thank you again Mr. Chairman and members of the committee to provide sponsor testimony on HB 193. I'm happy to answer any questions.