



**Proponent Testimony on SB 33**  
**House Ways and Means Committee**  
**Securities Industry and Financial Markets Association (SIFMA)**  
**December 13, 2022**

Chair Merrin, Vice Chair Riedel, Ranking member Sobecki and members of the House Ways and Means Committee, thank you for the opportunity to provide proponent testimony on SB 33, jointly sponsored by Sen. Jay Hottinger (R) and Sen. Andrew Brenner (R).

My name is Tony Fiore and I serve as legislative counsel for the Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> in Ohio. SIFMA brings together the shared interests of hundreds of broker-dealers, bankers and asset managers.

**What does SB 33 do?**

Current Ohio law provides up to a \$4,000 deduction from state income tax per child each year for higher education savings, but this is limited to investing in Ohio's plan also known as Ohio's 529 College Advantage. SB 33 would simply permit the state tax deduction for college savings plan contributions to apply to all Ohioans, regardless of which 529 plan they choose to utilize in saving for their family's future education costs.

**Why are additional options for college savings important?**

SIFMA strongly believes that such savings incentives are vital to ensure that every young Ohioan is able to receive a quality education, and that providing savers the ability to choose the best-fitting college savings plan is a key component of these efforts.

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

Because college tuition costs continue to escalate at a rate far outpacing inflation, more families will need to invest in savings plans to cover the increased costs. Such costs are expected to continue to grow at an accelerated pace. College costs have outpaced inflation nearly every year since the early 1980s— and college costs have risen at 4.6 times the rate of inflation over the last 50 years.<sup>2</sup> In fact, tuition and fees increased by 33% for public four-year programs from 2004-2014 and 26% for private non-profit four-year programs from 2004-2014, adjusted for inflation.<sup>3</sup> Even COVID-19 forcing virtual learning has done little or nothing to reduce college costs over the past year.

Given this rapid increase in cost, recent data from the Institute for College Access & Success notes that in 2016, 69% of all students graduating with a BA had debt upon graduation.<sup>4</sup> 529 College Savings Plans are proven to be one of the most effective ways to minimize college costs. According to research by T. Rowe Price, \$23,000 in 529 savings over 18 years would cover \$51,000 in college and loan costs. To put this another way, 529 savings plans give investors a choice. When faced with \$40,000 in college costs, Ohioans can either: 1) save \$105 per month for 18 years before college; or 2) pay \$424 per month for 10 years after college.<sup>5</sup>

With Ohio's strong tradition of leadership in providing high-quality higher education, it is important to continue to encourage growth in personal education savings. By applying the maximum deductible contribution to all Ohio college savers regardless of their specific investment choice, Ohio will take a strong step towards ensuring a bright future for the state and its residents, and will provide tremendous social benefits to both the state of Ohio and individual graduates. According to a Pew Research Study, young adults with a high school diploma earned an average of only 62% of the salary of college graduates.<sup>6</sup> Further, a College Board report concluded that college graduates have substantially higher median incomes than their high school counterparts and are more likely to receive health insurance and retirement benefits (and therefore produce higher tax revenues for federal, state, and local governments). They also tend to be healthier, have lower levels of unemployment, and are significantly less likely to receive public assistance –factors which all provide significant fiscal advantages for the state.<sup>7</sup>

However, simply ensuring that individuals have access to a 529 College Savings Plan is insufficient; it is important that Ohioans are provided access to the *right* 529 College Savings Plan. In preparing for the significant expenditures of higher education, families benefit from the ability to choose the plan that fits their particular needs. Just as there are many factors that go into selecting a college, there are a wide variety of considerations when picking an investment advisor and strategy. Whether it is an in-state plan or another option that best suits the family's needs,

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<sup>2</sup> Winstead, Scott, "[The](#) Cost of Going to College Has Risen at Nearly 5x the Rate of Inflation Over the Last 50 Years." November 2, 2021).

<sup>3</sup> Id. *See also*, U.S. Department of Education, "Digest of Education Statistics," 2015 (NCES 2016-014).

<sup>4</sup> The Institute for College Access & Success, "Quick Facts About Student Debt," (April 2019).

<sup>5</sup> T. Rowe Price Investor Magazine, Fall 2016 Edition.

<sup>6</sup> Pew Research Center, "The Rising Cost of Not Going to College." Feb. 2014.

<sup>7</sup> College Board, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society."

increased choices and competition allow a family to have a potentially more effective return on their investment –particularly given considerations such as their ability to contribute, their investment time horizon, or the fees associated with the plan. As such, it is important that Ohio college savers are able to choose the investment option that is right for them based on all the considerations, and have access to the same state tax treatment for their contributions as their neighbor who makes a different choice in their 529 College Savings Plan.

### **Options for Families Moving to Ohio**

Tax parity would not only simplify savers decisions when choosing the best 529 plan for their needs, but it would also ensure that households with existing plans in other states are encouraged to continue saving when they move to Ohio. With roughly 2,000 households moving into the state each year since 2007,<sup>8</sup> it is vital that new Ohioans continue to save for college. Without tax parity, new residents are faced with a decision: close their existing account, maintain their existing account but discontinue contributions, or continue to make contributions while sacrificing the tax benefit (which is a notable disincentive to saving).<sup>9</sup>

Further, providing for investor choice would be unlikely to significantly affect the state’s revenue. Primarily, the requested change would simply allow savers the ability to choose the most effective and efficient qualified plan for a family in their particular circumstances. Moreover, by including the requested tax parity amendment, Ohio would be a part of a growing movement – roughly **1/3** of states that offer a tax deduction for college savings either provide, or have recently considered, an income tax deduction for contributions to any qualified 529 plan. States providing tax fairness for college savers include, but are not limited to, **Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana, and Pennsylvania**. Arizona implemented a 529 tax parity deduction and found it so successful that the state more than doubled the deduction’s amount to further spur education-related savings.

It is also important to note that, because funds from any 529 College Savings Plan can be used at any school, implementing tax parity would in no way impact a student’s decision to attend an Ohio college or university.

### **Conclusion**

The *most important point* is that tax parity allows Ohio savers putting money away in a qualified 529 College Savings Plan to receive a state tax deduction or credit, regardless of which investment plan choice they make. This ensures that neighbors who choose different 529 plans based on their particular needs are treated equally by their state.

Chair Merrin, thank you for the opportunity to provide proponent testimony on SB 33 to the committee. I would be happy to answer any questions.

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<sup>8</sup> Atlas Van Lines, “Migration Patterns.”

<sup>9</sup> Flynn, Katherine, “Tapping your 529 Plan to Pay Bills,”[SavingForCollege.com](http://SavingForCollege.com), (October 10, 2015).