



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Monday, Aug. 14, 2006

Grassley's College Savings Tax Break to Become Permanent

WASHINGTON – The pension bill awaiting the President's expected signature will make permanent Sen. Chuck Grassley's provision allowing families to make tax-free withdrawals from their state-sponsored college savings plans for college expenses. Otherwise, the tax-free withdrawal provision would expire in 2010.

"These college savings plans are very popular nationwide," said Grassley, who is chairman of the Finance Committee, with jurisdiction over tax policy. "Iowa's plan alone has more than \$1 billion invested in it. Permanence of the tax-free withdrawal piece will make investment in college savings even more appealing for parents in Iowa and all over the country. Certainty will help them plan ahead."

Last year, Kiplinger's Personal Finance magazine named College Savings Iowa among the top such plans in the nation. Joining Grassley to announce his legislation last year were an Iowa family who is benefiting from the savings plan and the Iowa deputy treasurer. State treasurers administer each state's plan. The Iowa family is Clint and Deborah Smalley of Carlisle. They have four young boys. Karen Austin is the deputy treasurer of Iowa.

College Savings Iowa has 126,636 accounts with more than \$1.465 billion invested in the program. Since the program is popular nationwide, the account holders include families inside and outside of Iowa.

The college savings plans, known as 529 plans for the federal tax code section creating them, allow parents or grandparents' investments in state-sponsored plans to grow tax-free. Nearly \$100 billion is invested in the plans nationwide. In 2001, Grassley sponsored the bill that created an additional benefit – allowing withdrawals from the plans also to be tax-free. Because of budgetary limitations, the benefit was set to expire in 2010. In May 2005, Grassley introduced bipartisan legislation to make the benefit permanent. The House had a companion bill. The House and Senate approved the provision as part of the *Pension Protection Act of 2006*, which the President is expected to sign into law this month.

Another provision allows parents or other investors to contribute to a 529 plan and a prepaid tuition account, known as a Coverdell Education Savings Account, for the same individual. Money from the savings accounts can be used for public and private institutions in any state.

"The more options for education savings, the better," Grassley said. "Savings increases

access to higher education. Families need a simple, safe, affordable and dedicated way to save for college tuition. A college education is more important and more expensive than ever before. And it's never too early to start saving.”