



H.R. 529—To amend the Internal Revenue Code of 1986 to improve 529 plans (Jenkins, R-KS)

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FLOOR SCHEDULE: H.R. 529 IS EXPECTED TO BE CONSIDERED ON WEDNESDAY, FEBRUARY 25, 2015, UNDER A [RULE](#).

TOPLINE SUMMARY: The bill would expand 529 college savings plans by allowing tax free computer and equipment purchases, repealing an outdated reporting requirement, and allowing tax-free reinvestment of refunds from colleges.

COST: The Joint Committee on Taxation (JCT) [estimates](#) that H.R. 529 would reduce revenues by \$51 million over the 2015-2025 period.

CONSERVATIVE CONCERNS:

- **Expand** the Size and Scope of the Federal Government? **No**
- **Encroach** into State or Local Authority? **No**
- **Delegate** Any Legislative Authority to the Executive Branch? **No**
- **Contain** Earmarks/Limited Tax Benefits/Limited Tariff Benefits? **No**

DETAILED SUMMARY AND ANALYSIS: 529 plans are tax advantaged investment accounts that allow people to save for higher education expenses. Contributions to accounts are made with after tax-dollars, but the earnings of the account and withdrawals are tax free if they are used for qualified expenses. States administer their own 529 plans. For additional background on 529 plans, please see this [report from CRS](#).

The [President's budget](#) calls for taxing the earnings of new 529 plans as a way to pay for his proposal to provide "free" community college tuition. This met [significant opposition](#) because it would [hurt middle class families](#) who want to [save for their children's future](#). Even before the budget was released, the White House [backed away from their own proposal](#), saying "given it has become such a distraction, we're not going to ask Congress to pass the 529 provision."

H.R. 529 would make three changes to the current law:

First, the bill would permanently allow qualified distributions to be used for the purchase of a computer and related equipment. These types of purchases were allowed in 2009 and 2010, but the temporary provision was allowed to expire.

Second, the bill would repeal a provision that requires additional reporting requirements by plan administrators when a distribution is taken by a beneficiary that has multiple 529 plans. Under current law, if a beneficiary has more than one account, then the tax liability for a non-qualified distribution is considered to be deemed to come proportionally from each account, regardless of the actual account it was taken from. Because this provision is a holdover from when all withdrawals from 529 plans were taxable, it requires administrators to

aggregate the earnings from multiple accounts each time a distribution is taken, even if it is for a qualified higher education purpose.

Third, the bill would allow beneficiaries to recontribute refunds from higher education institutions back into the 529 plan without being taxed. Under current law, if a refund is provided, that refund would be taxed as if it was a non-qualified withdrawal from the 529 account.

OUTSIDE GROUPS:

- **Americans for Tax Reform** [supports](#) the bill.
- The **Securities Industry and Financial Markets Association (SIFMA)** [supports](#) the bill.

COMMITTEE ACTION: H.R. 529 was introduced on January 26, 2015, and referred to the House Ways and Means Committee. On February 12, 2015, the Ways and Means Committee [marked up and reported](#) the bill by a voice vote. The Committee Report can be found [here](#).

ADMINISTRATION POSITION: A statement of administration policy is not available at this time.

CONSTITUTIONAL AUTHORITY: “Congress has the power to enact this legislation pursuant to the following: Article I, Section 8: The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defense and general Welfare of the United States.”

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