

## COMMENT LETTER

February 22, 2007

# Institute Submits Letter Supporting Federal Conformity Legislation in Illinois

Via Facsimile February 21, 2007 Chairman Mike Boland 243-E Stratton Office Building Springfield, IL 62706 Re: Investment Company Institute Supports HB 376 Dear Chairman Boland: The Investment Company Institute<sup>1</sup> strongly supports HB 376. This legislation will help Illinois families attain their college saving goals by encouraging them to invest in qualified state tuition programs established under Section 529 of the Internal Revenue Code ("529 Plans"). Specifically, the bill would amend the State Treasurer Act and the Illinois Income Tax Act to provide Illinois residents with an exclusion from gross income for amounts withdrawn from any state 529 Plan for qualified higher education expenses. Spiraling education cost is a significant issue for Illinois families. The Institute supports efforts that encourage college savings, like HB 376. Among other things, HB 376 would conform to federal law the Illinois tax treatment of qualifying withdrawals from 529 Plans. The federal exclusion for qualifying withdrawals from 529 plans has had a major impact on the growth of these savings vehicles and has encouraged American families to save for their children's college education. In the past four years, assets in 529 Plans have more than tripled, increasing from \$26.8 billion at year-end 2002 to \$97.4 billion by the third quarter of 2006. During the same period, the number of 529 Plan accounts rose from 4.4 million to 9.1 million; the average account balance rose to over \$11,800.<sup>2</sup> Although these statistics are encouraging, many Americans who want to save for college still do not save enough.<sup>3</sup> 1 ICI members include 8,795 open-end investment companies (mutual funds), 658 closed-end investment companies, 325 exchange-traded funds, and 4 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$10.279 trillion (representing 98 percent of all assets of US mutual funds); these funds serve approximately 93.9 million shareholders in more than 53.8 million households. 2 Sources: Investment Company Institute and College Savings Plan Network. 3 See Profiles of American Households Saving For College, Investment Company Institute Research Series, Fall 2003. Recognizing the impact of federal law on the success of 529 plans, almost all states (except Illinois and one other state) already have conformed their state tax treatment of withdrawals to federal law. Federal conformity with respect to withdrawals will make it easier for Illinois families to save for college. In addition, federal conformity will simplify tax compliance for Illinois residents. We strongly urge you to support enactment of HB 376. Sincerely, /s/ Lisa Robinson Lisa Robinson Associate Counsel – Tax Law cc: Honorable Alexi Giannoulas

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