

Letter Urging Illinois Legislators to Enact College Savings Legislation

Via Facsimile

December 4, 2002

Senator James "Pate" Philip
Senate President
327 Capitol Building
Springfield, IL 62706

Senator Stanley B. Weaver
329 Capitol Building
Springfield, IL 62706

Re: SB 729 Should Be Enacted

Dear Senators Philip and Weaver:

The Investment Company Institute¹ urges your support for Illinois families saving for college. SB 729 will help Illinois families attain their savings goals by encouraging them to invest in qualified state tuition programs established under Section 529 of the Internal Revenue Code ("529 Plan"). Specifically, the bill would amend the State Treasurer Act and the Illinois Income Tax Act to provide Illinois residents with (i) a deduction for contributions to both an Illinois and an out-of-state 529 plan and (ii) an exclusion from gross income for amounts withdrawn from any state 529 Plan that would qualify for exclusion under federal law.

Spiraling education cost is a significant issue for Illinois families. The Institute supports efforts that encourage college savings, like SB 729. Among other things, SB 729 would conform Illinois tax treatment of qualifying withdrawals from 529 Plans to federal law. 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. Recognizing the impact of federal law on the success of 529 plans, most states already have conformed their state tax treatment of withdrawals to federal law and most of the nonconforming states are in the process of conforming. 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 urge you to support enactment of SB 729.

Sincerely,

Matthew P. Fink
President

ENDNOTES

¹ The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,990 open-end investment companies ("mutual funds"), 504 closed-end investment companies, and six sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.615 trillion, accounting for approximately 95 percent of total industry assets, and over 88.6 million individual shareholders.