

State of Connecticut



DENISE L. NAPPIER
TREASURER

May 2, 2013

The Honorable Richard Blumenthal
U.S. Senate
702 Hart Senate Office Building
Washington, DC 20510

The Honorable Chris Murphy
U.S. Senate
B40A Dirksen Senate Office Building
Washington, DC 20510

The Honorable John Larson
U.S. House of Representatives
1501 Longworth Office Building
Washington, DC 20510

The Honorable Joseph Courtney
U.S. House of Representatives
2348 Rayburn HOB
Washington, DC 20510

The Honorable Rosa L. DeLauro
U.S. House of Representatives
2413 Rayburn Office Building
Washington, DC 20510

The Honorable Jim Himes
U.S. House of Representatives
119 Cannon House Office Building
Washington, DC 20510

The Honorable Elizabeth Esty
U.S. House of Representatives
509 Cannon House Office Building
Washington, DC 20510

Dear Senators Blumenthal and Murphy and Representatives Larson, Courtney, DeLauro, Himes, and Esty:

As Treasurer of the State of Connecticut, I serve as trustee of our state's 529 college savings plan, the Connecticut Higher Education Trust ("CHET"). In 1996, CHET began offering families a flexible, low-cost investment vehicle to help meet the costs of higher education. We can all be proud that over the past 17 years the program has steadily grown and is a success story – helping more than 21,700 families meet the ever rising costs of college. We currently manage nearly \$2 billion in assets owned by some 51,000 account owners.

It is in my capacity as the trustee of CHET that I write to urge your active support for House Resolution 529, *Savings Enhancement for Education in College Act*, currently pending before the House Ways and Means Committee.

H.R. 529 will promote college savings and provide much needed relief for families struggling to provide an education for their children. First, it will expand the Savers Tax Credit Program by offering low and moderate income families¹ a tax credit for contributing to a 529 plan.

¹ For 2012, the income limit for the Savers Tax Credit Program was \$28,750 for individuals and \$57,500 for joint filers.

May 2, 2013

Page Two

The credit would be worth up to \$1,000 for single filers and up to \$2,000 for joint filers. This expansion is right in line with the emphasis I have placed on encouraging low and moderate income households to open CHET accounts. We all know that more education leads to more opportunities, and low to moderate income families in particular need programs like CHET to ensure their children's access to college and, ultimately, a brighter future.

Second, H.R. 529 will allow employers to match 529 contributions by up to \$600 without the match counting as income to the account holder. Contributions can be made to an account held by an employee, his or her spouse, or a dependent. Incentivizing employers to offer this benefit would be very helpful.

We have seen how people save more when a tax incentive is established. In 2006, Connecticut established an income tax deduction for contributions to CHET of up to \$5,000 for single filers and up to \$10,000 for joint filers. After the deduction became available, CHET saw dramatic increases in the number of accounts and the amounts saved. In the three years after Connecticut's income tax deduction was established (2006-2008), CHET contributions rose by 72%, as compared to the three years prior to its enactment. In the first full year of the deduction, contributions increased by 89.6%.

Not only are more Connecticut families enjoying the benefits of a CHET account, more CHET accounts are being opened by the very families who need them the most. In the past five years alone, the number of accounts opened by participants in Hartford, New Haven, Bridgeport and Waterbury has increased by 61%, and the amount of assets held in those accounts has increased by more than 102%.

I understand the fiscal constraints all levels of government are currently facing, but as President Obama noted in his recent State of the Union Address: "It's a simple fact: the more education you have, the more likely you are to have a job and work your way into the middle class. But today, skyrocketing costs price way too many young people out of a higher education, or saddle them with unsustainable debt." H.R. 529 will provide just the kind of incentives that will encourage people to help themselves. It is an important investment that will provide great returns.

We must continue to make progress toward providing the means to pay for college for all Connecticut residents. I hope you agree and will support the passage of H.R. 529. If you have any questions or need further information, please feel free to call me or Francis Byrd at (860) 702-3000.

Sincerely,



Denise L. Nappier
State Treasurer