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Pension firm backs college tax break plan

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Pension giant TIAA-CREF has launched a campaign urging Connecticut residents to speak up in favor of proposed legislation that would give a tax break to parents saving for their kids' college expenses.

The legislation, introduced by state Treasurer Denise Nappier, would create state income tax deductions for people who contribute to the Connecticut Higher Education Trust, Connecticut's 529 college savings plan.

TIAA-CREF Tuition Financing Inc., which has managed the state's college savings program for the past six years, launched a Web site to inform the public about the bill and encourage residents to prod their legislators to support the tax deduction.

The bill calls for a deduction on contributions of up to \$5,000 for CHET account holders who file a single tax return, and up to \$10,000 for couples filing jointly.

Nappier couldn't be reached, but according to information posted on her Web site, the proposed bill will cost the state \$5 million to \$7 million a year in lost tax revenues.

Two-thirds of states that have an income tax offer tax benefits for contributions to higher education savings programs, said Pierre Dejean, CHET program director at TIAA-CREF's Stamford office.

This legislation will make the college savings plan competitive with other states, as well as create a new incentive for Connecticut residents to save for their children's education, Dejean said.

"Clearly, if you talk to most parents they recognize the need to save," he said, and the promises of a tax deduction is a big motivator.

TIAA-CREF, which handles retirement accounts for educators, felt the best way to raise awareness was through a grassroots movement, Dejean said. Letters about the Web site were sent to 30,000 CHET participants, as well as to groups involved in education and business.

Individuals who visit the site at www.ct529deduction.org can e-mail legislators directly from the Web site, Dejean said.

Hundreds of messages have been sent to lawmakers from constituents across the state, Dejean said. "It's encouraging to see that there has been quite a bit of support," he said.

Of the dozen 529 plans TIAA-CREF manages, half offer residents state income tax deductions, Dejean said, and those that do have much higher participation and assets under management.

For years, Oklahoma offered a \$2,500 tax deduction. Last year, the state's legislature approved a tax deduction of \$10,000 for a single filing and \$20,000 for a joint filing. Since then, the program has grown 20 percent, he said.

The proposed legislation is something that the business community supports, especially because it will encourage more Connecticut residents to pursue higher education, said Lisa Mercurio, director of the Fairfield County Information Exchange, a unit of The Business Council of Fairfield County in Stamford.

"We are a knowledge-based economy requiring a highly skilled and educated work force," Mercurio said. "As a state that has been relatively flat in population growth, the availability of a skilled work force that will take our economy into the future is critical."

"This tool encourages more families to invest in the future education of their children, increasing the earning potential and contribution to our economy," she said.

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