



## INVESTMENT COMPANY INSTITUTE

MATTHEW P. FINK  
PRESIDENT

April 24, 2003

VIA FACSIMILE

Representative Michael J. Madigan  
300 Capitol Building  
Springfield, IL 62706

Representative Barbara Flynn Currie  
300 Capitol Building  
Springfield, IL 62706

Re: SB 529 Should Be Enacted

Dear Representatives Madigan and Currie:

The Investment Company Institute<sup>1</sup> urges your support for Illinois families saving for college. SB 529 will help Illinois families attain their saving 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Act and the Illinois Income Tax Act to provide Illinois residents with an exclusion from gross income for amounts withdrawn from any state 529 Plan that would qualify for exclusion under federal law.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 529. Among other things, SB 529 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 non-conforming 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 529.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt P. Fink".

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<sup>1</sup> 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 6 sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.615 trillion, accounting for approximately 95% of total industry assets, and over 88.6 million individual shareholders.



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MATTHEW P. FINK  
PRESIDENT

April 24, 2003

Governor John E. Baldacci  
Office of the Governor  
#1 State House Station  
Augusta, ME 04333-0001

Re: Repeal Temporary Legislation Taxing  
Certain Section 529 Plan Withdrawals

Dear Governor Baldacci:

The Investment Company Institute<sup>1</sup> strongly supports initiatives that encourage Americans to save more to meet their long-term needs, including the education needs of their families. Section 529 plans, such as the Nextgen College Investing Plan, have proven to be excellent college savings vehicles. A major reason for the attractiveness of these plans is the 2001 federal tax change<sup>2</sup> that excludes from income the earnings portion of any withdrawal that is used for qualified higher education expenses.

The vast majority of states have conformed to the federal tax exemption for qualified section 529 plan withdrawals because the states recognized the importance of encouraging saving for college education. Among other things, conformity simplifies tax compliance and eliminates unnecessary confusion for investors (as federal tax conformity is available regardless of the section 529 plan in which the taxpayer invests).

While Maine initially conformed to the federal change, the state recently reversed its position in LD 1319 and "deconformed" for withdrawals made during 2003, 2004 and 2005 -- unless the withdrawal is from a Maine-sponsored plan. This recent change will have negative consequences on the efforts of Maine residents to save for the educational needs of their families, including confusion that will arise from the limited, short-term nature of the change.

The fiscal challenges that Maine and other states face are significant and the avenues for funding state operations are not always attractive. However, the pro-saving and pro-

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<sup>1</sup> The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,935 open-end investment companies ("mutual funds"), 559 closed-end investment companies, and six sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.382 trillion, accounting for approximately 95 percent of total industry assets, and 90.2 million individual shareholders.

<sup>2</sup> This legislation was entitled the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA").

simplification benefits that federal tax conformity on withdrawals provides to Maine residents significantly exceed the approximately \$14,000 per year that would be saved by the recent legislative change.

Because of the importance of section 529 plans to Maine residents, and your solid commitment to education and to initiatives designed to ensure greater access to higher education, we respectfully request your support to promptly restore federal conformity to Maine law during the supplemental budget process by reversing the changes made by LD 1319.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt P. Le". The signature is written in a cursive, flowing style.

cc: Dale McCormick  
Jane Lincoln  
Rebecca Wyke