

For Immediate Release
Monday, January 26, 2009

Grassley works to increase access to college and jobs

WASHINGTON – Senator Chuck Grassley said he will offer three amendments to increase access to higher education when the Finance Committee takes action tomorrow on a massive bill to try to help stimulate the economy.

“Paying for college is a big concern and a major goal for people across the country,” Grassley said. “The federal tax code is a proven tool for helping students, parents and other family members deal with ever growing cost of higher education and, in turn, compete for better paying jobs. My amendments to the stimulus bill are designed to fine tune opportunities in the tax code and look out for those seeking higher education wherever the federal government has leverage.”

The first Grassley amendment would help Americans saving for college protect investments in tax-exempt savings plans from market downturns by giving plan owners greater flexibility to switch to more conservative investments if they wish. Known as 529 plans, the landmark 2001 tax relief sponsored by Grassley, as Chairman of the Finance Committee, established the tax policy that made these savings vehicles a highly attractive opportunity for parents, grandparents and other family members to save for kids’ college educations. Grassley subsequently worked to make 529 plans a permanent part of the federal tax code.

This amendment from Grassley would build on a December decision by the Treasury Department to allow 529 account holders to change investment options twice a year. It would allow section 529 plans to give plan owners the opportunity to change investments up to four times a year. The growth of 529 savings plans is based on market performance and typically that of mutual funds. The savings plans are administered by states. Iowa’s – College Savings Iowa – enjoys broad participation.

The second Grassley amendment in this area would make sure states don’t take actions that would be counter-stimulative as a condition of receiving enhanced Federal Medical Assistance Percentage funds, which are the federal government’s share of a state’s expenditures for most Medicaid services, known as FMAP. The amendment says that states taking these additional federal dollars must agree to not increase tuition at state two- and four-year colleges and universities during the period of time that the enhanced federal funding is in effect.

The third Grassley amendment for students seeking higher education and the job opportunities it creates would increase the level of the “American Opportunity Tax Credit” proposed by Finance Committee Chairman Max Baucus. Grassley said his amendment would increase the maximum tax credit of \$2,500 to \$3,250 for single filers with incomes between \$50,000 and \$80,000 annually. Grassley said this adjustment would enhance the effectiveness of the tax credit for middle-income Americans.

Grassley has long worked successfully to increase access to higher education through the tax code. The 2001 tax relief that he shepherded through Congress also created a federal tax deduction for tuition and made the tax deductibility of interest on student loans a permanent part of the tax code. The Iowa senator also has conducted broad-based oversight of the tax laws governing nonprofits, including college endowments. He has urged colleges and universities to maximize the use of endowment dollars to make higher education more affordable for students.