



Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Chairman

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FOR IMMEDIATE RELEASE

April 29, 2015

CONTACT: [Aaron Fobes](#) , [Julia Lawless](#)

(202) 224-4515

Hatch Statement at Finance Markup of 529 College Savings Bill

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee markup of S. 335, as modified, a bipartisan bill to strengthen 529 college savings plans:

We have come together today to mark up S. 335, a bill to improve 529 plans. As we all know, this legislation was introduced here in the Senate by Senator Grassley, who deserves a lot of credit for putting together a strong, bipartisan bill.

The bill also has nine cosponsors on the Finance Committee alone. They are, on the Republican side, Senators Roberts, Burr, Isakson, Scott, and Portman and on the Democrat side, Senators Casey, Schumer, Cardin, and Warner.

Chuck, you've got a pretty diverse cast of characters in support of your bill. You must be onto something.

This common sense bill would make some important changes to the way that 529 education savings accounts operate.

As we all know, 529 accounts are used by many families throughout the country to help pay for the costs of a college education, which, as we've seen, are growing more and more every year. They provide hardworking taxpayers with an efficient and cost-effective way to help provide their children with greater opportunities.

Over the past few years the value and use of 529 accounts has increased dramatically. From 2012 to 2013 alone, there was a net increase of 19.1 percent in 529 account assets. According to recent estimates, total investment by American families in 529 plans is now more than \$247 billion, with the average account size calculated at \$20,474 as of the end of 2014.

But, these plans aren't perfect. Senator Grassley's bill would address three specific frustrations that families and taxpayers have encountered with the current code. These three fixes will make it easier for families to save for a college education by updating Section 529 for 21st century use.

First, the bill would update Section 529 to include computers and Internet access primarily used by the student as qualified education expenses. This seems like common sense to me. This change will allow students to have greater access to current technology as they pursue their college education.

Second, the bill gets rid of some of the unnecessary complexity in the law by getting rid of so-called aggregation rules. This, once again, only makes sense.

Finally, the bill would allow students to recontribute funds to their accounts tax free if they receive refunds for education expenses paid for out their 529 accounts. For example, under the bill, if a student gets a scholarship after they've paid tuition using their 529, or if illness or unexpected circumstances cause the student to withdraw from school, resulting in a refund, they can return that amount into their account without a tax penalty.

Once again, these are common sense changes to the law that can make it that much more affordable for students to receive an education. That's why the bill has garnered overwhelming bipartisan support.

The version of this bill that we are marking up today passed the House by a vote of 401 to 20. There were 161 House Democrats voting in favor of it, and only 19 voting against. I hope that we can see a similar result here in the Senate.

Once again, I want to give credit to Senator Grassley for his work on this bill. As a former Chairman of the Finance Committee, he has a wealth of experience and expertise in these matters and, today, we're all going to be able to benefit from it.

Yesterday, Senate leaders received a letter from the National Association of State Treasurers expressing that organization's support for this legislation. Without objection, that letter will be entered into the record.

In addition to stating their support for the overall aims of the bill, the leaders of NAST stated, "We hope the legislation passed by the Senate Finance Committee will be identical to the bill passed in the House so that legislation can move quickly through the Senate and directly onto the President's desk."

That's what I hope we can do.

My hope is that we can report this bill out of committee without amendments so we can merge it with the House bill on the floor and send it to the President's desk so that we can get this section of the tax code working for everyday Americans trying to improve educational opportunities for the next generation.

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