**OFFICE OF**
**STATE TREASURER**
**DENISE L. NAPPIER**

# NEWS

**FOR IMMEDIATE RELEASE**
Tuesday, May 9, 2006

## Nappier Says Newly Approved CHET Tax Deduction Will Help Middle-Class Families Save for Increasing College Expenses

***Treasurer commends state legislators for passage of deduction plan; Contributions to CHET savings accounts anytime during 2006 will be deductible***

State Treasurer Denise L. Nappier praised the General Assembly for approving her proposal to establish a state income tax deduction for Connecticut families when they save for college with CHET, Connecticut's college savings program, effective this year.

Nappier said the new tax deduction, approved on a bi-partisan basis, will help Connecticut families - especially middle-class families - striving to achieve a solid future for their children, and keep Connecticut competitive with other states in encouraging saving for college.

"Connecticut residents and taxpayers will now have a significant financial incentive to save for the expenses of higher education, and that's incredibly important for Connecticut's children, their families and our state's future," Nappier said. "For middle-class families often squeezed between the financial needs of their children and parents, this will be welcome relief."

Nappier's proposal, approved by legislators as part of the state budget and now awaiting Governor Rell's signature, calls for a deduction on contributions of up to $5,000 for account holders who file a tax return as single, and $10,000 for couples filing jointly. The deduction would be available on state income tax returns filed in April 2007 for contributions made during the 2006 calendar year to a new or existing CHET account.

Nappier said that the importance of helping families save for college is underscored by recent statistics indicating that the total charges (including tuition, fees, and room and board) for a four-year public college increased by 6.6% a year ago, with the cost of four-year private universities increasing 5.7%, nationwide. Nappier said "those increases are more than double the overall rate of inflation and more than triple the average increase in wages."

The Treasurer also pointed to studies that place Connecticut's private and public colleges and universities among the most costly in the nation.

"On average, Connecticut's private colleges are the most expensive anywhere, and even our public colleges are among the top ten most costly public systems. Therefore, providing tax relief for people saving for college with CHET should help Connecticut students attend college in Connecticut," Nappier added.

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

The tax deduction builds on a series of improvements made to the CHET program during the Nappier Administration, further encouraging families to save regularly for college expenses. CHET ended April with nearly $700 million in assets in almost 50,000 accounts, compared with $18 million in assets and just over 4,000 accounts when Nappier took office in 1999.

Treasurer Nappier announced this year's tax deduction proposal in early February, joined by a bi-partisan group of legislators, State Commissioner of Higher Education Valerie F. Lewis and Jen Rizzotti, women's basketball coach at the University of Hartford (mother of a one-year-old). Numerous organizations endorsed the proposal, including the Business Council of Fairfield County, Connecticut Conference of Independent Colleges, Connecticut Student Loan Foundation, Connecticut PTA, Connecticut Association of Public School Superintendents, Connecticut Higher Education Supplemental Loan Authority (CHESLA) and Capitol Region Education Council.

"Higher education costs are ever-increasing, and this initiative reflects our state's commitment to keeping Connecticut competitive," Nappier said, noting that two-thirds of the states that have an income tax offer some type of tax incentive to their residents who contribute to their state's college savings plan. "As a proud Connecticut resident and someone who recognizes the significant economic challenges posed by the rising cost of college, I couldn't help but wonder why we weren't offering our families similar incentives to save for their children's futures. Now, we will be."

Treasurer Nappier has been a leading advocate for the need to help families and young people save, particularly for higher education. In addition to urging the legislature to enact a tax-based incentive for CHET account owners, she has spurred a series of improvements designed to make CHET a premier higher education savings option for Connecticut families.

"As the State's Treasurer, I understand the importance of good, smart investments," said Nappier. "The future of Connecticut is dependent on a highly educated workforce. An investment in education will ultimately yield positive returns – for families and the economic health of our state."

Every state in the nation offers a so-called "529" program," named after the federal statute permitting the establishment of state-sponsored college savings plans. The CHET program began in 1998, and was significantly overhauled in 2000.

A CHET account may be opened with as little as $25, and contributions can be made using automatic deposit from checking or savings accounts or payroll deduction through participating employers. The CHET program web site **www.aboutchet.com**, offers on-line enrollment and describes the range of CHET investment options. A CHET account can be opened by any individual, including a grandparent, family friend or neighbor.

CHET presently offers three investment options for account owners, depending upon their tolerance for risk and their investment preferences. Additional investment options, broadening the choices available for account owners, are to be formally introduced later this spring. Current benefits include tax deferral on earnings, professional money management and flexibility to use the proceeds at virtually any higher education institution. In addition, withdrawals used for qualified expenses, including tuition, room and board, are free of both federal* and Connecticut income taxes.

**The law allowing federal tax-free qualified withdrawals is set to expire on December 31, 2010. Congress may or may not extend this law beyond that date.*

CONTACT: **BERNARD L. KAVALER**
**DIRECTOR OF COMMUNICATION**
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US