

**BIRMINGHAM, Wednesday, August 30** — U.S. Rep. Spencer Bachus (R-AL) wrote Texas Gov. George W. Bush two months ago asking the Republican presidential nominee to adopt the congressman's idea about eliminating federal taxes on prepaid tuition plans like Alabama's.

Today, Bush will do just that when he announces his proposals for higher education that include making prepaid tuition plans tax-free.

"Governor Bush knows we must make college more affordable if our nation's prosperity is to continue. Eliminating the taxes on prepaid tuition plans will help open the doors of higher education a little wider for those who otherwise would not be able to go to college," said Bachus.

Bachus first introduced the idea in 1997. His bill, the College Savings Protection Act, would change current law to exempt from federal taxes the withdrawals from the state sponsored plans that are used to pay tuition and room and board. The House passed his bill that year, but it was not acted on by the Senate. Bachus re-introduced the bill in 1998, which was passed by Congress as part of a larger education reform initiative. However, President Clinton vetoed that measure. Bachus immediately re-introduced the prepaid tuition bill and has been promoting it ever since. He successfully urged the Republican Platform Committee to include the proposal as part of this year's Republican Party Platform. The platform states a Republican president will sign the bill into law next year.

"This is a tax that punishes those who save for their children's college education," said Bachus. "No tax makes less sense than one that hurts middle class students trying to earn a college degree."

Alabama was one of the first states to establish a prepaid tuition plan. Today, 47 states and the District of Columbia have the authority to operate such plans.

*NOTE: A copy of Congressman Bachus's letter to Governor Bush follows:*

June 13, 2000

The Honorable George W. Bush  
Bush for President  
Post Office Box 1902  
Austin, Texas 78767-1902

Dear Governor Bush:

As you work to develop education policies designed to leave no child behind, I hope you will adopt a proposal I have introduced in Congress that embodies a conservative approach to making college more affordable. It is the common sense way to help families pay for their children's college education.

As Republicans, we know the best answer to rising college costs is to encourage families to save ahead for their children's college education. Beginning in the late 1980s, several states, including my home state of Alabama, led the way to encourage family savings for college by creating tuition savings programs. Today, 47 states and the District of Columbia have authority to operate such programs, which offer families a convenient method to meet the cost of tuition.

However, the federal government currently penalizes students and families who responsibly choose to plan ahead and save by enrolling in these state tuition savings programs. Under current law, the federal income tax obligation on contributions to a state plan is levied on the student.

This leads to the intolerable situation where a student who works while going to college is hit with an "education tax" by the federal government

. No tax makes less sense than one that hurts working class students trying to earn a college degree or their families who have done the right thing and saved ahead for their college education.

To correct this problem, I have introduced legislation in Congress to eliminate this tax. With my bill, the College Savings Protection Act, we can make college more affordable for families and give more children the opportunity to go to college. At the same time, the bill requires no new government bureaucracy, it recognizes that states have the primary responsibility for education and it rewards and encourages families who plan and save ahead.

Our opponents and the media commonly criticize Republican tax relief proposals as "tax breaks for the rich." This criticism has absolutely no traction when it comes to eliminating federal taxes on college savings plans. Lower- and middle-income families would benefit the most from this change since they represent the vast majority of participants in college tuition plans. For instance, 62% of families participating in Pennsylvania's plan have annual incomes of less than \$35,000. 71% of families participating in Florida's plan earn less than \$50,000. The average monthly contribution to the plan from families in Kentucky is \$43 and in Ohio is \$52. These families can ill afford the hardship of yet another tax that both working student and family face on the same day they start paying for college.

I hope you will take a moment to review the College Savings Protection Act, which I am enclosing, and carefully consider making it a part of your education reforms. Please feel free to contact me if I can provide further information or be of any assistance. Enclosed you will also find several positive editorials on this idea from newspapers in Alabama.

Sincerely,

Spencer Bachus  
Member of Congress