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AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Exposed

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DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

Did you know that an online for-profit school company was the corporate co-chair in 2011?

Family Education Savings Account Act

Summary

This act would create a tax deduction/credit for contributions made by state taxpayers into students' Coverdell education savings accounts, which allow tax-free savings for both K-12 and higher education expenses.

Purpose

The purpose of this legislation is to give families greater ability to save for education related expenses for their children. Under federal law, Americans can take advantage of two types of tax-advantaged savings vehicles: 529 accounts for college savings plans and Coverdell education savings accounts (ESAs).

529 College Savings Plans: Named after the section of IRS code, 529 college savings plans allow families to invest after-tax dollars in private accounts overseen by state governments. Funds invested in these accounts accrue tax-free as long as expenditures are made for approved college education costs.

Coverdell Education Savings Account: Under federal law, individuals can also make after-tax contributions into a Coverdell ESA, which allow savings to accrue tax-free if they are withdrawn for qualifying K-12 or higher education expenses, including private school tuition.

In 2008, 33 states offer tax incentives for contributions made to state-managed 529 college savings plans. But no state yet offers similar tax incentives for contributions made into Coverdell ESAs that allow tax-free savings for both K-12 and higher education expenses. This legislation will expand savings options for families by offering a state tax deduction or tax credit for contributions made into a child's Coverdell ESA.

ALEC's Corporate Board –in recent past or present

- AT&T Services, Inc.
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- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
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- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
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- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at www.SourceWatch.org.

Since 2008, has this passed in your state? Who proposed it?

Section 1. (Title) Family Education Savings Account Act

Section 2. (Definitions)

A) "Program" means the Family Education Savings Account Act.

B) "Family Education Savings Account" means the federal Coverdell Education Savings Account.[1]

C) "Contributor" means an individual who makes a contribution into a Family Education Savings Account of child living in the state.

D) "Contribution" means an allowed contribution made by a contributor into the Family Education Savings Account of an eligible beneficiary.

E) "Beneficiary" means a child who is eligible to own a Coverdell education savings account under federal law and who resides in the state.

F) "Department" means the state agency charged with administering the Family Education Savings Account Act.

Section 3. (Basic Elements of Family Education Savings Account Act)

A) Any individual living in the state can claim a deduction on state [**what type of tax**] taxes for a contribution made into the Family Education Savings Account of a legal beneficiary who at the time of the donation resides in the state.[2]

B) The cap on the amount that can be deducted claimed annually is $1,000 per person or $2,000 for a married couple filing jointly.[3]

C) A total of $2,000 in contributions into a single child's account can be claimed for the tax deduction per year.[4]

D) A contributor can claim only one contribution per year.

E) Any individual can make a contribution into the account of any beneficiary regardless of whether the individual and beneficiary are related; however, the beneficiary must consent to receiving the contribution.

F) To be eligible for a tax deduction, a contributor must make a contribution into a Family Education Savings Account that is considered a Coverdell education savings account under federal law.

G) Allowable uses of funds contributed into the Family Education Saving Account will be regulated by federal rules governing Coverdell Education Savings Accounts.[5]

Section 4. (Responsibilities of the Department)

A) The Department will establish rules and procedures to facilitate the contribution process. Contributors should be required to submit a receipt verifying the amount of their donation into the Family Education Savings Account of an eligible beneficiary.

Section 5. (Prohibition on claiming additional deduction or credit for contribution made into 529 college savings plan.)

A) In states that offer a tax deduction for contributions made into a 529 College Saving Plan, contributors are prohibited from claiming both contributions for a Family Education Savings Account and the 529 College Savings Plan. In total, only one contribution can be claimed per year.

Section 6. (Effective Date)

The Family Education Savings Account Act will be in effect immediately after the enactment of this act.

Adopted by the Education Task Force on August 1, 2008.

Approved by the ALEC Board of Directors on September 11, 2008.

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[1] For more information on Coverdell ESAs, see: Internal Revenue Service, "Coverdell Education Savings Account (ESA)," United States Department of Treasury, at: http://www.irs.gov/publications/p970/ch07.html (June 17, 2008).

[2] Policymakers could choose to make this a full or partial tax credit, rather than a deduction, to increase the benefit for making contributions.

[3] Policymakers can adjust the amount that can be deducted. However, this should be below $2,000. Under federal law, a beneficiary can receive up to $2,000 in annual contributions into a Coverdell education savings account per year. The contribution limit is reduced if the taxpayer's adjusted gross income is above $95,000 (or $190,000 for a joint filer).

[4] Again, this amount should be capped at $2,000. Lawmakers could restrict contribution claimed to be only one per beneficiary receiving the contribution. However, this could potentially restrict contributions from families or other people from pooling contributions into an eligible beneficiary's account.

[5] For more information on qualifying higher education and elementary and secondary education expenses, see: Internal Revenue Service, "Coverdell Education Savings Account (ESA)," United States Department of Treasury, at: http://www.irs.gov/publications/p970/ch07.html (June 17, 2008).

From CMD: This "model" legislation helps create financial incentives for people to take their children out of the public school system and support "private" for-profit, religious or other primary and secondary schools. As noted in the bill's own description, as of 2008, no state had a statute like this that reduced or offset the taxes of parents who make up to $190,000 a year, for taking their minor children out of the public school system.