

## ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda-underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

### ALEC's Corporate Board --in recent past or present

- AT&T Services, Inc.
  - centerpoint360
  - UPS
  - Bayer Corporation
  - GlaxoSmithKline
  - Energy Future Holdings
  - Johnson & Johnson
  - Coca-Cola Company
  - PhRMA
  - Kraft Foods, Inc.
  - Coca-Cola Co.
  - Pfizer Inc.
  - Reed Elsevier, Inc.
  - DIAGEO
  - Peabody Energy
  - Intuit, Inc.
  - Koch Industries, Inc.
  - ExxonMobil
  - Verizon
  - Reynolds American Inc.
  - 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](http://www.SourceWatch.org).

**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?**

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### Inclusive College Savings Plan Act

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

#### Summary

This Act will increase opportunities for state residents to invest in **529 college savings plans**.

#### Legislation

{Title, enacting clause, etc.}

**Section 1. {Title}** This Act may be cited as the Inclusive College Savings Act.

**Section 2. {Definitions}** For the purposes of this Act:

(A) "Account" means an individual trust account or savings account established pursuant to [state code] as authorized by 26 U.S.C. sec 529.[\[1\]](#)

(B) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

(C) "Account owner" means the person designated at the time an account is opened as having the right to withdraw funds from the account before the account is disbursed to or for the benefit of the designated beneficiary.

(D) "Designated beneficiary" or "beneficiary" means, with respect to an account, the person designated at the time the account is opened, or the person who replaces a designated beneficiary, as the person whose education expenses are expected to be paid from the account.

(E) "Default investment" means a principal preservation fund or an age- or enrollment-based portfolio chosen by the 529 plan administrator if an applicant does not select one of the investments offered.

(F) "Age- or enrollment-based portfolio" means a mix of stocks, bonds and money-market funds allocated according to when the designated beneficiary is expected to enter college. As the beneficiary approaches college enrollment, the investment mix adjusts and becomes increasingly conservative.

(G) "Direct-sold 529 plans" are purchased directly through the state and have lower total annual expenses than broker-sold plans.

(H) "Public assistance programs" means federal programs such as Temporary

Assistance for Needy Families (TANF), Medicaid, the State Children's Health Insurance Program (SCHIP) and the Low Income Home Energy Assistance Program (LIHEAP) that require households to "spend down" or maintain assets below minimum levels to qualify for aid.

(I) "Nonqualified withdrawal" means a withdrawal from an account other than a qualified withdrawal, a withdrawal made as the result of the death or disability of the designated beneficiary of an account, a withdrawal made as a result of the beneficiary's receipt of a scholarship, or a rollover or change of designated beneficiary.

(J) "Principal preservation fund" means an investment fund that does not place principal at risk.

**Section 3. {Direct deposit of tax refunds to 529 accounts}** The [state tax agency] shall include on individual income tax forms a designation as follows:

"If you are entitled to a refund, check if you wish to designate [ ] \$25, [ ] \$50, [ ] \$100, [ ] (write in amount) or [ ] all of your refund to a [state] 529 account. Your refund will be reduced by this amount."

**Section 4. {Identify a default investment}** The [529 plan administrator]<sup>[2]</sup> shall identify an age- or enrollment-based portfolio as a default investment in the direct-sold 529 plan.<sup>[3]</sup>

**Section 5. {Eliminate 529 assets from public assistance eligibility determinations}** A [state 529 plan] account shall be exempt for purposes of determining eligibility for public assistance, provided that the federal rules for these programs permit such exemptions.<sup>[4]</sup>

**Section 6. {Remove 529 plan balances from state student financial aid calculations}** Notwithstanding any other provision of [the state tax code], no money invested in [a state 529 plan account] shall be considered to be an asset for purposes of determining an individual's eligibility for a need-based grant, need-based scholarship or need-based work opportunity offered by the state under [state financial aid provisions].<sup>[5]</sup>

**Section 7. {Extend tax benefits to 529 contributors beyond account owners}** A taxpayer may deduct on a dollar-for-dollar basis, to the extent not deducted elsewhere in determining adjusted gross income, contributions made by the taxpayer during the tax year to a [state 529 plan account], pursuant to the [state 529 plan enacting legislation], not to exceed a total yearly deduction of [\$x amount] for a single return or [\$2x] for a joint return.

**Section 8. {Provide tax incentives to employers for 529 plan contributions}** Each taxpayer who, during the tax year, makes a contribution (i) to a [state 529 plan account] under [state code provision(s)] in an amount matching a contribution made in the same tax year by an employee of the taxpayer to that 529 plan account is entitled to a [deduction or credit] against the tax imposed under [the state business tax provision] in an amount equal to [percentage] of that matching contribution, but not to exceed [\$x] per contributing employee per tax year.

**Section 9. {Match 529 account deposits by low- to moderate-income account owners}** The provisions of this section shall be subject to the limitations of appropriations. The amount of contributions made to an account by an account owner who establishes a [state 529 plan] pursuant to [state code section(s)] and has an income of not more than 250% of the federal poverty level shall be matched by the state on a dollar-for-dollar basis up to [\$x] if the account owner contributes at least [\$x] in each calendar year in which the account is open.

**Section 10. {Severability clause}**

**Section 11. {Repealer clause}**

**Exposed**

By the Center for  
Media and Democracy  
www.prwatch.org

**Section 12. {Effective date}** This Act is effective upon passage.

*Adopted by the Education Task Force at its Spring Task Force Meeting on April 30, 2010.*

*Approved by the ALEC Board of Directors on June 3, 2010.*

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[1] 26 U.S.C. § 529 defines qualified tuition programs, both prepaid or savings plans, for postsecondary education. Under a prepaid program, an individual purchases tuition credits for higher education expenses. This model legislation focuses exclusively on state college savings plans in which an individual or individuals contribute(s) to an account for a beneficiary's future higher education expenses. 529 plans are designed so that individuals can make after-tax deposits for tuition, fees, books, supplies and equipment at community colleges, universities, vocational and technical schools or other postsecondary institutions.

[2] State treasurers typically administer state 529 plans.

[3] A default investment in the direct-sold 529 plan simplifies the enrollment process and benefits individuals who are uncertain about which investment option to select.

[4] Several states have eliminated asset tests for public assistance programs. There is no federal requirement for states to obtain federal waivers to implement such changes. Recent federal legislation excludes 529 plans from asset tests in the Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps.

[5] At least 17 states exempt assets in 529 plans from financial-aid calculations. Removing 529 savings from financial-aid consideration could potentially increase the total number of students eligible to receive aid and thus diminish the funds available for the neediest students. States should weigh whether the benefits of exempting state 529 assets from state financial-aid calculations will outweigh the potential costs.

#### **Related Files**

[Inclusive College Savings Plan Act](#) (Microsoft Word Document)

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