

Helping Parents Save for College Act of 2022

Introduced by Senators Maggie Hassan (D-NH) and Susan Collins (R-ME)

The Problem:

Many students are taking on significant debt in order to afford the cost of higher education. College savings accounts are one way to help students afford and attend college -- there is [evidence](#) that youth who have savings accounts, even with modest balances, are more likely to attend and complete college. One [study](#) found that low- and middle-income children with college savings of less than \$500 are three times more likely to pursue college and four times more likely to graduate than youth without a savings account. In fact, simply having a savings account can be impactful, with another [study](#) finding that youth with a savings account in their name were six times more likely to attend college.

With 529 education savings accounts, families can save for their children's college using after-tax contributions that are then invested and grow tax-free, and are not taxed when funds are withdrawn to cover education expenses. Despite these benefits, 529 accounts are underutilized because of [financial hardship and lack of awareness](#). In addition, many families choose not to use 529 accounts because of concerns with paying a penalty if their child does not pursue college and they are forced to withdraw funds for non-education purposes.

Senators Hassan and Collins' Bill:

This bill would make two important changes to the way 529 college savings accounts are designed to increase utilization:

1. **Federal Saver's Tax Credit.** Provide low- and middle-income parents with a tax credit for contributions to 529 education savings accounts by expanding the Saver's Credit. This credit would be worth up to 50%, or \$4,000, of 529 account contributions made by low-and-middle income families.
2. **Retirement Rollover Option.** Allows 529 account plan beneficiaries to move excess funds into their Roth Individual Retirement Account (IRA), without penalty. This would help ease concerns about excess funds in cases where a child does not go to college. Under this provision, a beneficiary would need to wait 10 years to roll over funds.

The bill is supported by: College Savings Foundation, College Savings Plans Network, Fidelity Investments, Finance Authority of Maine (FAME), Maine Alford Scholarship Foundation, National Association of State Treasurers, New Hampshire Higher Education Assistance Foundation (NHHEAF), and University of New Hampshire (UNH).

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