

# OPPOSE

## **Reject 529 Private School Voucher Scheme S.7782 (Lanza) & S.7783 (Golden)**

The Tax Cut and Jobs Act that the President signed at the end of 2017 not only endangered public education in New York State by nearly eliminating the State and Local Tax Deduction, and drastically increasing the federal debt, it also authorized funds that are contributed to 529 college savings plans for elementary and secondary education to grow federal tax free.

The State Tax Department has determined that this provision of the federal tax legislation would not automatically establish the ability to use 529 plans for elementary and secondary education costs for private schools. This legislation would contravene existing state law and expressed statutory intent when the State authorized tax deductions for 529 contributions utilized for college expenses.

Under the proposals, a parent could simply make the max contribution to a 529 plan on an annual basis and then immediately withdraw such funds the following day to pay tuition, while reaping a state subsidy via the tax deduction. This turns the original intent of 529 *college*-savings plans on its head, which was to grow investments in a tax-sheltered account long-term to save for college.

S.7782 purports that there is no fiscal impact, which is preposterous, and S.7783 indicates that the fiscal impact is to be determined. Shortly after enactment the cost is likely to be lesser than in a few years as more individuals become aware of this benefit. While reasonable minds can differ on estimated annual cost to the state, if the all eligible individuals participate, a cost approaching \$200 million per year is plausible.

A state tax deduction for private school education is very similar to the variety of private school voucher proposals that the Legislature has reviewed and rejected over the last several years. Not only should this proposal be treated like previous vouchers and rejected, the Legislature should amend the law to delink all references to Federal law so a voucher is not suddenly imposed on the State.

***The Council strongly opposes this proposal and urges its rejection.***