

HB 1123- 529 Alignment Fact Sheet

- **HB 1123 aims to prevent a massive enforcement nightmare for both the state and for parents.**
 - Without this alignment, the state will have to build intrusive state data and audit systems, implement unprecedented levels of financial monitoring, and hire small armies of full-time bureaucrats whose sole job is to police families' use of their own money.
 - Colorado's more than 350,000 529 account holders—parents, grandparents, guardians, and others—should not have to fear state retribution for accessing their own educational savings for federally allowed educational purposes.
 - The Federal Reserve has found that nearly half of American families would experience financial hardships if faced with a \$400 expense. Recaptures under the current misalignment could equal or exceed that amount.

- **HB 1123 is commonsense policy.**
 - HB 1123 creates nothing new. It is a very simple alignment of outdated state law with federal law allowing for expanded uses of 529 funds.
 - Dozens (28) of states—including blue states—have already brought their laws into alignment.
 - Parents know that college savings don't mean much if a student is not prepared for college. In Colorado, more than one-third of students require remedial coursework after arriving at college or university.

- **HB 1123 is not proposing a new school choice program.**
 - It is about allowing families to utilize their own savings accounts to address educational needs and challenges in accordance with federal law.
 - Funds can be used for tuition at both private *and* public schools, where many families pay tuition for full-day kindergarten.
 - Families are already saving money for their children's educational futures. This bill simply frees them to use that money to address challenges—academic, safety related, or otherwise—before college.

- **HB 1123 does not create new relationships between the state and faith-based institutions.**
 - Federal law already allows for charitable contribution deductions for those giving directly to churches, synagogues, and other religious nonprofits (including private schools).
 - Individuals and corporations already receive tax deductions or credits for 529 account contributions, and these contributions can be used at religious institutions of higher education.

- **HB 1123 provides peace of mind to parents while costing virtually nothing.**
 - State fiscal analysts estimate that aligning Colorado law with federal law will cost approximately \$3 million per year. That works out to .01 percent, or 1/1000th, of the state's \$30 billion budget.
 - The state can easily afford such a small price tag to protect parents. Parents, on the other hand, may not be able to bear the costs of enforcing the misalignment.