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A+ EDUCATION SAVINGS ACCOUNTS: GOOD FOR PRIMARY AND SECONDARY EDUCATION, GREAT FOR AMERICA'S CHILDREN

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Congress will soon be debating legislation to encourage Americans to invest in elementary and secondary education. Senators Paul Coverdell (R-GA) and Robert Torricelli (D-NJ) have introduced the Parent and Student Savings Account Plus Act (S. 1133), and Speaker Newt Gingrich (R-GA) is promoting the House version (H.R. 2646). Both bills would allow parents—and anyone else concerned about a child's education—to invest in an education savings account for that child: up to \$2,000 a year under S. 1133 and up to \$2,500 under H.R. 2646. Families or individuals earning less than \$95,000 a year would be eligible to contribute. The money could be withdrawn tax-free to pay for the child's education-related expenses, such as a personal computer, tutoring, transportation to school, books, a school uniform, or private school tuition. Parents of home-schooled and special-needs children also could use these funds for education-related expenses. Any money not used by the time of the child's graduation from high school could be used for college-related expenses. These accounts, also known as "A+ Accounts," would give parents a significant financial tool with which to ensure that their children receive the best education possible.

A similar measure in the recently enacted tax bill allows parents to invest up to \$500 a year in an IRA-type account for a child's higher education expenses. A+ Accounts simply broaden the use of such IRAs by allowing parents to invest in the most important stage of their children's education: Kindergarten through 12th grade. According to the Joint Committee on Taxation, an estimated 14.3 million families—about 10.8 million of which are families whose children attend public school—would benefit from these accounts by 2002. The Committee also notes that 70 percent of the tax savings from these accounts would go to families whose income is less than \$75,000 a year. A+ Accounts, therefore, are one of the most innovative initiatives yet advanced to improve the quality of education for children across America.

Because the Parent and Student Savings Account Plus Act would allow parents to use the money in A+ Accounts to pay for expenses at either public or private schools, it would not siphon off funds needed for public school education. In fact, public education would benefit from Americans' being encouraged to invest in their neighborhood schools. Congress should consider seriously the benefits offered by A+ Accounts under S. 1133 and H.R. 2646. Specifically:

- **A+ Accounts would improve the quality of public education.** Faced with rising costs, many public schools are forced to operate in unsafe buildings or with too few textbooks. In many instances, parents step in to help.

For example, parents in Park Slope (Brooklyn), New York, recently raised more than \$100,000 to pay the salaries of two art teachers and a science teacher; New Jersey parents formed a foundation to buy computers, satellite dishes, and books for the school library; and parents in Detroit helped an elementary school purchase microscopes, baseballs, and textbooks. A+ Accounts would reward these parents for such support. The funds they provide would help improve the quality of public school education by freeing tax dollars for basic instruction, supplies, and repairs. Although a few dollars saved each year may not be enough to buy a home computer, just investing \$2,500 a year from a child's birth until he or she enters the first grade would yield nearly \$17,883, at an interest rate of 7.5 percent, for that child's elementary education. Research has shown that engaging parents in their children's education improves the academic performance of those children; it also gives parents a stake in the success of their local schools. A+ Accounts would enable even more parents to be involved and to save for expenses the public schools may not cover.

- **A+ Accounts would open additional educational opportunities for children, especially low-income students.** Because anyone could invest in A+ Accounts, they could provide real benefits to the children of the poor. Not only could parents contribute to their children's accounts, but so could grandparents, aunts, uncles, cousins, concerned mentors, next-door neighbors, or even corporations. In addition, middle-class suburban residents could contribute to the education of children in neighboring inner cities. A few dollars invested each month could subsidize the cost of transportation to a different—perhaps safer—public school or help low-income children attend a nearby private school if their parents thought it best.
- **Americans want A+ Accounts.** A national survey by Public Opinion Strategies, the Tarrance Group, and Voter/Consumer Research found that 66 percent of respondents favored the creation of A+ Accounts, which also benefit from the popularity of similar efforts to give parents tax incentives to invest in their children's education. Since 1983, for instance, Minnesota taxpayers have been able to deduct from their tax liability expenses incurred for tuition, fees, textbooks, and transportation for children enrolled in private or public schools. (In its 1983 landmark decision in *Mueller v. Allen*, the U.S. Supreme Court held that the Minnesota statute satisfied the elements of the constitutional test established in another landmark case, *Lemon v. Kurtzman*.) Due to enormous public support, on June 26, 1997, the Minnesota legislature approved a proposal expanding the current tax deduction to cover the costs of academic summer school and summer camp, tutoring, personal computer hardware, and educational software. The proposal increased the allowable amount of the deduction and created a refundable educational tax credit. According to the governor's office, about 900,000 children will benefit from the new plan. On April 3, 1997, the Arizona legislature passed an innovative tuition tax credit program which provides a credit of up to \$200 for contributions to public school extra-curricular programs, and up to \$500 for contributions to tax-exempt organizations that award scholarships to children to attend the private schools of their choosing.

The crisis in American education today affects children in elementary and secondary school especially. If President Clinton and Congress hope to improve education for children who otherwise have little chance of going to college, and if they truly wish to promote enduring reform, they must seriously consider the benefits of A+ Accounts. These accounts would create incentives for parents and other interested members of the community to invest in a child's primary and secondary school education and, in the process, also would increase the amount of money available for public school education. By creating A+ Accounts, Congress can allow Americans to invest in a brighter future for their children.