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NEWS RELEASE

Paul Coverdell

United States Senator, Georgia

FOR IMMEDIATE RELEASE
Tuesday, July 15, 1997

CONTACT: Jonathan Baron
(202) 224-8049

Georgia's senior Senator battles for education reform . . .

COVERDELL LEADS BIPARTISAN GROUP SUPPORTING EDUCATION TAX RELIEF

--Proposal would help children in kindergarten through college--

WASHINGTON, DC -- U.S. Senator Paul Coverdell (R-GA) today led a bipartisan group of his colleagues to urge President Clinton to embrace the Senate's taxpayer relief package, which contains a number of provisions that would help parents afford rising education costs.

Senators Bob Graham (D-FL), John Breaux (D-LA), Bob Kerrey (D-NE), Connie Mack (R-FL), and Mitch McConnell joined Coverdell for the morning event in the Capitol.

"All of us here today -- Democrats and Republicans alike -- agree that this tax relief package represents the best opportunity we have to move this country forward. It is a proposal that would provide needed relief to parents trying to cope with the costs of education from kindergarten through college," remarked Coverdell, sponsor of the Senate Republicans' principal education initiative.

Of the five tax relief provisions contained in Coverdell's original legislation -- titled *S. 1 The Safe and Affordable Schools Act* -- four made it into the tax relief bill approved by the Senate. Coverdell also succeeded in securing Senate passage (59 to 41) of his amendment that would expand proposed "education IRAs" to cover expenses for primary and secondary schools. Without the language contained in Coverdell's initiative, funds in these savings accounts could only be used to pay for costs associated with college.

"By including my amendment expanding education savings accounts, this relief offers real help for parents trying to afford education at all levels, elementary, secondary, and college. This is money that can be used for a home computer, tuition, tutoring, and transportation.

"This represents real help for middle-class families, and it needs to be done now. The bipartisan effort in the Senate has already provided the heavy lifting. All President Clinton has to do is sign the bill," Coverdell concluded.

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COVERDELL EDUCATION AMENDMENT

The Coverdell Amendment allows parents to contribute to an "education IRA" to be used for a child's education at any school -- public, private, sectarian or home school -- from kindergarten through college.

All parents can contribute up to \$2,000 a year per child in post-tax dollars. Middle income taxpayers eligible for the \$500 child tax credit can contribute up to \$2,500. The buildup of interest within that account is tax-free if used for the child's education.

If a parent places \$2,000 each year in an account starting in a child's first year, then assuming a 7% interest rate, \$14,306 would be available by the first grade, \$35,776 by the time the child starts junior high school, and \$45,100 when the child starts high school. For a parent eligible to place \$2,500 a year in an account, the amounts would increase to \$17,883 by the first grade, \$44,721 by junior high, and \$56,376 by senior high school.

For a child attending public school, this money could be used for a home computer or for carpooling or other transportation costs. For a child attending private school, this money could be used for tuition. For a child who is home schooled, any associated costs could be covered. And special needs children could use this money for tutoring or occupational therapy.

If the funds are not used for elementary or secondary education, a parent contributing \$2,000 a year from the child's first year would have \$67,998 available for college tuition, room and board, and other expenses. At \$2,500 a year, this amount would increase to \$84,997.

How the Coverdell Amendment Works

QUALIFIED EXPENSES

College: Tuition, fees, books, supplies, and equipment, and room/board allowance required for students attendance at an eligible school. The student must attend, at least half-time, undergraduate or graduate-level courses.

K-12: Tuition, fees, tutoring, special needs services, books, supplies, equipment, transportation, and supplementary expenses required for the enrollment or attendance at a public, private, or sectarian school, or for homeschooling.

CONTRIBUTIONS

Who Can Contribute: Any taxpayer can contribute to an "education IRA" that is established for a specific child. A taxpayer may contribute to the "education IRA" of several different children.

Contribution Limits: Total contributions to a specific child's account cannot exceed $2,000 a year, and cannot be made past the child's eighteenth birthday. Exceptions: 1) a parent may contribute the $500 per child tax credit in addition to the $2,000 limit; and 2) the child's account can receive rollover funds from other accounts (ie. transfer of balances from a sibling's education IRA).

Other Conditions: The IRA must be established in the U.S. and contributions must be made in cash; no more than one "education IRA" can be established on behalf of a beneficiary; and beneficiaries receiving HOPE scholarships <u>cannot</u> withdraw funds tax-free from their account for expenses incurred during the same year in which they receive the scholarship.

WITHDRAWALS

Funds must be withdrawn when the beneficiary dies or reaches 30 years of age. Any balance can be: transferred tax-free to an IRA-Plus account; transferred tax-free to an "education IRA" of a family member; transferred tax-free to a "Qualified Tuition Program"; or withdrawn with a 10% penalty tax levied on any amount not used for qualified education expenses.

בס"ד

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Associate Director for Education Affairs

July 28, 1997

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President: ***Re: "Education IRAs"/Coverdell Amendment***

As negotiations in the conference committee draw closer to an end, I write on behalf of Agudath Israel of America to offer our perspective and support for Section 213 of the Senate-passed tax package (Coverdell Amendment), which is intended to establish "education IRAs" that would cover elementary and secondary school expenses, as well as higher education costs, and that would include within its scope of beneficiaries parents who choose to send their children to sectarian schools. It is our understanding that, while the House and Senate negotiators have agreed to include the Coverdell Amendment, the Administration continues to oppose the measure.

As an Orthodox Jewish movement, Agudath Israel advocates on behalf of the full spectrum of Orthodox Jewish educational institutions across the United States -- including the hundreds of elementary and secondary schools nationwide that are affiliated with the National Society of Hebrew Day Schools, and the post-secondary schools accredited by the Association for Advanced Rabbinical and Talmudic Schools -- and the growing number of students and families they serve. As such, our community has a deep interest -- and strong stake -- in the Coverdell Amendment.

The establishment of "education IRAs" that cover the full range of a family's educational expenses -- not just the costs of higher education -- represents sound public policy. Indeed, all families could benefit from the extension of the educational IRAs to the elementary and secondary school context. Parents of public school children faced with education-related costs that range from computers to carpooling should be able to use their IRA funds to help defray these costs. Parents who feel that the most appropriate education for their children is to be found in the nonpublic sector should be able to use their IRA funds to help pay the exploding costs of private education. And, parents of children with special needs, who seek to give their children a fair chance at fulfilling their dreams and aspirations, should be able to use their IRA funds to help cover the enormous expense that is associated with tutoring and various forms of therapy. All of these children are worthy of being given an opportunity -- and an equal opportunity -- to achieve educational excellence, and all of these parents are in desperate need of the tax relief the Coverdell Amendment would provide.

In considering this issue, there is no need to be concerned over constitutional questions relating to the extension of tax benefits to parents who send their children to private sectarian schools. Indeed, these questions are well settled. The Supreme Court has made it abundantly clear that tax and other federal benefits conferred upon parents who incur expenses for sectarian education will be upheld, when they are generally available programs and where the aid flows as a result of the decisions of the individuals involved. [See *Mueller v. Allen*, 463 U.S. 388 (1983), *Witters v. Washington Department of Services for the Blind*, 474 U.S. 481 (1986).] In fact, the Supreme Court reiterated only three weeks ago that there is no constitutional impediment to "programs that provide...aid to eligible children regardless of where they attend...school." [Agostini v. Felton, 65 U.S.L.W. 4524 (U.S. June 3, 1997)]. The tax relief contemplated in the Coverdell Amendment is decidedly within these parameters.

There is surely an education crisis in our nation. It is a crisis that exists at all levels of the educational ladder -- elementary , secondary and post-secondary. It is a crisis that exists no matter the type of school a child attends -- public, private or sectarian. Mr. President, you are to be commended for your commitment to making education a top priority of your Administration and for your leadership in helping to enact legislation that would provide tax relief to parents who work hard to give their children the best possible educational resources and opportunities. With passage of the Coverdell Amendment, you and the members of Congress will have, indeed, taken a significant step in that direction. Without it, the federal government will have left the largest segment of the American educational system -- children who attend public and private elementary and secondary schools and their parents -- stranded and bereft of meaningful relief.

Thank you for considering our views.

Sincerely yours,

Abba Cohen
Director and Counsel
Washington Office

AC/asp

Rabbi Menachem Genack
129 Meadowbrook Road
Englewood, NJ 07631

July 29, 1997

President William J. Clinton
1600 Pennsylvania Avenue
NW, Washington D.C.
20500

Dear President Clinton,

Congratulations on concluding a historic budget agreement with the congressional leadership today. I have no doubts that this effort will serve to secure a brighter American future. I also write to encourage you to retain Senator Coverdell's education IRA provision in the bill. This too is a critical tool for securing America's future and enabling parents to provide the greatest educational opportunities for their children.

With best wishes,

Rabbi Menachem Genack