



**WRITTEN STATEMENT
OF
THE AMERICAN INSTITUTE OF CPAs
SUBMITTED FOR THE RECORD OF THE
OCTOBER 25, 2023
HEARING OF
THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
ON
EDUCATION FREEDOM AND OPPORTUNITY FOR AMERICAN FAMILIES,
STUDENTS, AND WORKERS**

Introduction

The American Institute of CPAs (AICPA) appreciates the leadership taken by the House Ways and Means Committee in addressing tax policy aimed at assisting Americans in overcoming the financial hurdles associated with furthering their education. To aid in this effort, we urge the Committee to consider H.R. 1477, the Freedom to Invest in Tomorrow's Workforce Act, which would expand education opportunities for American families and workers.

As the national, professional organization for all Certified Public Accountants, the AICPA's mission is to power the success of global business, CPAs, CGMAs, and specialty credentials by providing the most relevant knowledge, resources and advocacy, and protecting the evolving public interest. The AICPA is the world's largest member association representing the accounting profession, with more than 421,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

Recommendation

The AICPA recommends¹ that the Committee favorably consider H.R. 1477, the bipartisan Freedom to Invest in Tomorrow's Workforce Act, which will allow Americans to use tax-favorable 529 plan funds to pay for certain expenses related to postsecondary credentials and training programs.

Background: Creation and Evolution of Section 529 Plans

Section 529 plans are an effective tax-advantaged tool used by American families to save money for a child's education. Once deposited, funds not only grow tax-free in a 529 savings plan but are also withdrawn without being taxed, if used to pay for certain education expenses.

In recent years, Congress has continued to recognize the importance of 529 plans in helping Americans offset the rising costs of education by enhancing its' use by broadening the types of covered expenses via the passage of several pieces of legislation.

Originally, tax-free withdrawals from 529 plans were able to be used solely for post-secondary education expenses such as tuition, mandatory fees, room and board, textbooks, and other essentials related to obtaining a college education. The Tax Cuts and Jobs Act (TCJA),² passed in 2017, expanded the use of 529 plans by allowing \$10,000 per year from 529 accounts to be used to pay for K-12 education tuition. The Setting Every Community Up for Retirement Enhancement (SECURE) Act,³ passed in 2019, further increased the benefits of 529 plans by allowing individuals to withdraw 529 plan funds to pay for expenses related to a beneficiary's apprenticeship registered by the Secretary of Labor under the National Apprenticeship Act. The

¹ AICPA letter, "[Freedom to Invest in Tomorrow's Workforce Act \(H.R. 1477\)](#)."

² P.L. 115-97.

³ P.L. 116-94.

SECURE Act also allows individuals to pay down certain student loan debt. The SECURE 2.0 Act,⁴ signed into law in 2022, again boosted the benefits of 529 plans by allowing beneficiaries, beginning in 2024, to roll 529 plans into Roth individual retirement accounts (Roth IRAs), a type of tax-advantaged retirement savings account. This change helps to ensure that 529 plans funds will not remain stuck unused in a 529 account.

Concerns

Inequity in Education Expenses Covered by 529 Plans

While 529 plans can be used to pay for certain education expenses incurred from kindergarten through postsecondary education, such as a traditional college education, a large segment of the skilled labor market is barred from taking advantage of the same benefits. Currently, 529 plan funds cannot be used to defray the cost of postsecondary training and credentialing programs. This means that individuals seeking a non-college education or for workers wanting to enhance their skills via a postsecondary credential program are not given the opportunity to defray those education costs via the tax benefits provided by 529 plans.

The AICPA is a longtime advocate for equity and fairness⁵ in the tax system. Taxpayers in similar tax situations should be treated equally. By passing the Freedom to Invest in Tomorrow's Workforce Act, Congress would even the playing field of educational choices by allowing Americans to use their tax advantaged 529 savings plans to pay for fees and expenses for postsecondary training programs or those required to obtain or maintain recognized postsecondary credentials, including professional credentials and certifications. An individual whose dream is to pursue a career in cosmetology would be afforded the same tax benefit as an individual choosing a career requiring a college education. A college graduate who has the ambition to obtain a postsecondary credential to further their professional skillset, would also be treated equally.

Shortage of Skilled Workers, Including Certified Public Accountants

Jobs that require skills training are the backbone of the U.S. economy.⁶ Those jobs include in-demand jobs in accounting, healthcare, information technology, and trades such as plumbing and carpentry. However, there is a talent shortage of skilled workers in the U.S., including those in the accounting field.⁷

CPAs play a more important role in business than ever before, especially in many newer initiatives such as digital transformation, environmental, social and governance (ESG), and artificial intelligence (AI). In addition to the newer business initiatives, the core functions of CPAs are just as important. CPAs who specialize in taxation sift through complex tax laws and regulations to ensure that both individuals and businesses pay the correct amount of tax, which is critical to funding various public services. CPAs who are independent auditors ensure the

⁴ P.L. 117-328.

⁵ AICPA "[Guiding Principles of Good Tax Policy: A Framework for Evaluating Tax Proposals.](#)"

⁶ National Skills Coalition.

⁷ American Institute of CPAs, February, 2023, "[Plan to Accelerate Talent Pipeline Solutions.](#)"

integrity of financial reporting and play a key role in helping businesses to act ethically. Forensic accountants, considered financial detectives, play a key role in asset tracing in fraud and money laundering investigations and being expert witnesses in financial crime and civil disputes. Since CPAs play a key role in business and the economy, it is paramount to address the shortage of Americans choosing a career as a CPA.

Earning the CPA credential has historically been one of the most notable ways to establish a professional identity and exhibit a high level of competence in the accounting profession. Certifications are indicators of an individual's specialized knowledge or skills that have been measured and achieved via assessment. However, the expense of the CPA exam preparation, application, and registration can easily exceed \$3,000, depending on the state, and is often cited by would-be CPAs as a deterrent to sitting for the CPA exam. Additionally, CPAs must keep up with continuing professional education requirements to ensure they maintain and improve their skills.

Reversing the growing talent shortage of skilled workers, including accounting professionals, will require a multi-pronged effort. By expanding the allowable use of 529 education savings plans, would-be and current CPAs and other skilled workers would be given more financial flexibility as they decide how best to pay for the requirements associated with obtaining and maintaining a license. Workers in any phase of their career, at any education level would have access to the unique tax-advantages that 529 plans provide.

Concluding Remarks

To further support all Americans in fulfilling their educational desires, and to create equality in education-related tax policy, we encourage this Committee to favorably consider H.R. 1477, the bipartisan Freedom to Invest in Tomorrow's Workforce Act.

We also encourage the Committee to consider additional education-related tax benefits designed to simplify and harmonize tax credits related to higher education.⁸

The AICPA appreciates the opportunity to submit this written statement for the record.

⁸ AICPA letter, "[2023 AICPA Compendium of Legislative Proposals – Simplification and Technical Proposals.](#)" February 7, 2023.