Chairman Smith, Ranking Member Neal, and members of the Ways and Means Committee, thank you for receiving my testimony today.

It is no secret that student loans are out of control in this country. I know for a fact; this pervasive issue affects constituents in every single one of our districts. However, I cannot support large giveaway proposals that unload the full burden of student loan debt from the current minority of U.S. adults who attended college to the majority who did not. That is simply not fair. Instead, I strongly support a fiscally responsible middle ground where we provide Americans struggling under the weight of massive student-loan debt better tools to pay back the loans they chose to take out. That is where my proposal for a 401(edu) plan comes in.

For many people, especially recent graduates, their wisest financial option is to attack their student loan debt and its punishing interest before focusing on longer-term financial decisions like retirement. A 401(edu) allows them to do that. For a time, instead of investing in a 401(k) or another employer retirement plan, those funds would go straight toward paying down student loan principal. This permits Americans to put their employee benefits towards their most pressing need and provides companies another tool to attract talent. A 401(edu) also retains its pre-tax deduction status, but since the payments are disbursed immediately, there is not a future tax burden on withdrawn funds, as there would be for a 401(k). And since nearly all displaced 401(k) withdrawals would fall outside the 10-year budget window, there would not be a large CBO score on the proposal. Contribution limits for employer retirement plans would also apply to 401(edu) plans.

People leaving college with tens of thousands, if not hundreds of thousands, of dollars in debt often postpone their American dream and feel restricted from pursuing positive life choices such as marriage, starting a family, or buying a home. I fully understand the responsibility on the borrower for the choices they made, but a 401(edu) does not seek to absolve them of that responsibility. Instead, it offers people a choice to make a temporary financial sacrifice and use their own money and work benefits, for a season, to pay off their debt burden. The optimal word there is choice. People do not have to use a 401(edu) and can go the more traditional route of saving for retirement. But providing this choice will help millions of Americans more quickly shed the weight of their student loans, without asking other Americans to bankroll that relief in full.

Just like a mortgage, there are substantial benefits for people who can make accelerated payments and pay off their loan in 15 years versus 30 years. They gain peace of mind, the financial freedom of losing a monthly payment, and the extra savings from years of unrealized interest payments. My proposal would help many Americans do the same with their student loans.

Millions of Americans choose to go to college and use student loans to pay for them, and thousands of American businesses look to hire people in this situation. 401(edu) plans will provide another path for employees to take control of their financial future and businesses to take care of their workforce. Ultimately, this helps lead the paradigm switch of the federal government’s role in the student loan crisis from one of enabler to empowerment.

Thank you all for your time today, and I am happy to discuss this proposal further.
And thank you, Mr. Chairman, for allowing me to testify today.

Chairman Smith, Ranking Member Neal, and members of the Ways and Means Committee, thank you for receiving my testimony today.

Farming is a risky business, and we don't need to look any further than this past year. Wildfires in the west, hurricanes in the east, and a massive downturn in the farm economy left many farmers without much hope for the future. While some government help came eventually, for many it will not be enough, and for others it may not be in time. However, even when the farm economy broadly does well, individual farms can still suffer disastrous losses. A violent hailstorm in Stuttgart, Arkansas, or a local disease outbreak in Kennett, Missouri, would devastate individual operations in those local areas while not producing destruction on a large enough scale to attract supplemental federal dollars. In these situations, and many more, producers would benefit from tax-advantaged disaster accounts they could draw on in times of need.

I call these accounts FRAME accounts, and my proposal is outlined in my bill, the Farm Risk Abatement and Mitigation Election Act, or FRAME Act. Similar to the healthcare space, where consumers can choose High-Deductible Deductible Health Plans (HDHP) with accompanying Health Savings Accounts (HSA), FRAME accounts would not fully replace existing risk mitigation tools, like crop insurance or revenue protection programs. Rather, it would provide farmers with another option to exert more control over their own operations instead of being forced to depend on the changing political whims of Washington.

The FRAME Act establishes tax-deferred farm savings accounts that would help farmers take it upon themselves to prepare for disasters by saving in advance. Upon implementation, any USDA-recognized farmer would be eligible to own a FRAME account by registering with the Farmer Service Agency (FSA). Like a Roth IRA or HSA, FRAME accounts can be administered by any bank, giving the farmer the ability to manage contributions and investments as he or she sees fit. Contributions, capital gains, and dividends would be tax-deferred, and the farmer would only be able to draw upon his or her account in the instance of a disaster; any other withdrawal would incur strict penalties.

In order to encourage initial investment, farmers will be eligible to write off FRAME account contributions on their tax bill. Contributions will be tax deductible up to $50,000 per year, with a $250,000 limit, and farmers will retain 10% of their contributions in the form of a tax credit during the first few years after opening the account.

The FRAME Act is a common-sense bill to give the farming community the ability to have a self-supporting disaster plan. Over time, it will reduce reliance on government support programs and protect farmers from reliance on fickle government disaster payments.

The farmers and bankers I have talked with like the idea of FRAME accounts, and I believe it will greatly benefit the farm economy. I am happy to discuss this proposal further with anyone on this committee.

Thank you, Mr. Chairman, for allowing me to testify today.