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Michigan Plan

To the Editor:

In your Tax Watch column (Business Day, Aug. 29), you reported that the Internal Revenue Service has decided that Michigan's tuition-prepayment plan — under which parents could deposit a few thousand dollars with the state, which would invest the money for tax-free growth — is federally taxable. Both the state trust fund and the participating students would be taxed because "the funds did not come from the state and were not available to the state."

This decision, in effect, quashes another progressive program to help middle-income parents finance their children's college education. Unfortunately, no one is surprised.

As a law student whose school-loan burden will approach \$35,000 upon graduation, I am appalled that the Michigan plan has received no support from the Federal Government. For eight years the Reagan Administration has preached the virtues of decentralization and of returning autonomy to the states. Yet when a state attempts to re-establish that autonomy and to guarantee the college education of its citizens, the Administration is silent. Decentralization is fine so long as it does not affect the Federal coffers.

The Michigan plan would allow many students to receive the education necessary for a 21st-century life without the already enormous and ever-growing burden of student loans. Tomorrow, students could use their educations to fulfill their obligations to their families, to their communities and to themselves. Today, students must first fulfill their obligations to their banks. Unlike his father, my child should not be forced to mortgage his adulthood for a college degree.

Unless there is greater national support for innovative programs such as Michigan's, higher education may become the province of solely a wealthy few. But democracy will not survive without a knowledgeable people. As Thomas Jefferson long ago warned, "If a nation expects to be both ignorant and free, it expects what never has been and never will be."

THOMAS V. LINGUANTI
Astoria, Queens, Sept. 11, 1988