

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 592** HLS 19RS 95

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 6, 2019	8:49 AM	<b>Author:</b> FOIL
<b>Dept./Agy.:</b> OSFA/START		<b>Analyst:</b> Ryan Guidry
<b>Subject:</b> START (K-12) earnings enhancements and tax exemptions		

TAX/INCOME TAX OR INCREASE GF EX See Note Page 1 of 1  
Excludes amounts deposited into certain education savings accounts for tuition expenses for elementary and secondary schools from state income taxes

Proposed law provides for a tax exemption on deposits into a Student Tuition Assistance and Revenue Trust K-12 (START K-12) education savings account for a maximum \$2,000 per account per year for account owners filing single and a maximum \$4,800 per account per year for account owners filing jointly.

Proposed law provides for the calculation and payment of an earnings enhancement on deposits made into a START K-12 education savings account based on earnings enhancements rates per the account owners adjusted gross income.

Effective January 1, 2020.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

  

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

There will be an indeterminable increase in state expenditures for the payment of earnings enhancement on deposits to START K-12 accounts; a one-time increase of \$3,312 SGF expenditures for the Office of Student Financial Assistance (OSFA) related to rule promulgation; and a one-time increase of \$25,680 for the Department of Revenue (LDR) related to system modification and tax form redesign. Additionally, there will be a workload increase for OSFA related to administration of the START K-12 accounts. To the extent proposed law results in a significant increase in the number of START K-12 accounts, OSFA would require additional staff and funding.

Proposed law would provide for the payment of an earnings enhancement on deposits made into a START K-12. Earnings enhancements rates are determined by the account owner's adjusted gross income as provided in proposed law and range from 2%-14%. Payment of earnings enhancements are funded through a SGF appropriation to the statutorily dedicated Savings Enhancement Fund. According to the Department of Education data, there are currently 101,291 students enrolled in nonpublic schools, and OSFA reports there are 272 active START K-12 accounts with total assets of \$692,725. While it is unlikely that a START K-12 account will be created for every nonpublic school student, proposed law will likely increase the number of START K-12 accounts as well as the associated assets.

**EXPENDITURE EXPLANATION CONTINUED ON PAGE 2**

**REVENUE EXPLANATION**

There will be an indeterminable decrease in SGF revenues related to the exemption of deposits into START K-12 accounts from a filers taxable income. The exemption provided in proposed law would reduced the allowable taxable income amount for filers that elect to utilize the exemption, decreasing the amount of income tax received by the state from personal income tax payments.

Proposed law would provide for a tax exemption on deposits into a START K-12 education savings account for a maximum \$2,400 per account per year for account owners filing single and a maximum \$4,800 per account per year for account owners filing jointly. Based on the 2017 tax returns, there were approximately 78,000 returns (with 85,000 dependents) that claimed \$425 M (\$5,000 maximum deduction) in existing K-12 tuition deductions from income that did not receive a START K-12 income tax deduction. For illustrative purposes, assuming all 78,000 of these filers establish one START account and assuming the average deposits per gross income range up to the maximum deduction of \$4,800, the maximum amount of additional allowable deduction from income for these new START account owners would be \$345.5 M. It is unlikely that all will utilize this option, but for reference, for every five percent (3,900) of these filers establish a START K-12 account and make deposits, it could result in \$17 M in additional allowable deductions from income. Losses to state tax receipts would likely range from 4% - 6% of the additional deduction amount, or \$691,000 to \$1 M, per year. Over time, an increasing number of filers are likely to take advantage of these provisions.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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