

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 592** HLS 19RS 95
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 10, 2019 2:16 PM **Author:** FOIL
Dept./Agy.: LOSFA/START **Analyst:** Ryan Guidry
Subject: START (K-12) earnings enhancements

TAX/INCOME TAX EG 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 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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

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. The number of individuals that would elect to create a START K-12 account or to make additional deposits into existing START K-12 accounts as a result of the proposed legislation is unknown; therefore the SGF expenditure increase is indeterminable.

Based on 2017 tax returns, there were 78,000 filers with 85,000 dependents that claimed a deduction for K-12 tuition expenses for a total of \$425 M in deductions. For illustrative purposes, assuming all 78,000 of these filers first deposited these tuition expenses into a START K-12 account and assuming the average deposit per gross income range (i.e., \$0-\$29,999, \$30,000 - \$44,999, etc) the estimate earnings enhancement payments would total \$21.5 M. It is unlikely that all will utilize this option, but for every five percent (3,900) of the filers that establish a START account, earnings enhancement obligations from SGF would increase \$1 M annually.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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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