

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: May 28, 2019 2:09 PM **Author:** FOIL
Dept./Agy.: LOSFA/START **Analyst:** Ryan Guidry
Subject: START (K-12) earnings enhancements

TAX/INCOME TAX RE DECREASE GF RV 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 \$2,400 per account per year for account owners filing single and a maximum \$4,800 per account per year for account owners filing jointly. This deduction will not be allowed on any deposit withdrawn in the same taxable year as the deposit.

Proposed law provides that disbursements from a START K-12 account which are used to pay qualified expenditures are not eligible for the elementary and secondary school tuition tax deduction or the fees and other educational expenses for a quality public education tax deduction.

Effective January 1, 2020.

EXPENDITURES	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

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

There will be an indeterminable decrease in SGF revenues related to the exemption of deposits into START K-12 accounts from a filer's taxable income. The exemption provided in proposed law would reduce the allowable taxable income amount for filers that elect to utilize the exemption, decreasing the amount 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. In order to be eligible for the exemption, deposits made into a START K-12 account cannot be withdrawn within the same taxable year as the deposit. Disbursements made from a START K-12 account used for qualified expenditures will not be eligible for elementary and secondary school tuition tax deduction (\$5,000 per student maximum, R.S. 47:297.10) or the fees and other educational expenses for a quality public education tax deduction (\$5,000 per student maximum, R.S. 47:297.12); however, allowable expenditures paid by a filer in excess of the START K-12 disbursement would presumably still be eligible for these existing K-12 deductions.

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. However, the actual tuition expenditures for these filers is unknown, and therefore the amount of allowable expenses in excess of existing deductions is indeterminable. 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 who 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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