



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 10** SLS 23RS 40
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 26, 2023 5:00 PM	Author: FOIL
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Income Tax Exemption: Education Savings Account Deposits	

TAX/INCOME/PERSONAL OR DECREASE GF RV See Note Page 1 of 1
 Increases the individual income tax exemption for deposits into certain education savings accounts for tuition expenses for elementary and secondary schools. (8/1/23)

Present law excludes amounts deposited into certain education savings accounts from taxable income, allowing up to a \$1,200 deduction for account owners filing singly and \$2,400 for account owners filing jointly. The deduction applies to deposits into Student Assistance and Revenue Trust K-12 (START K12) accounts.

Proposed law increases the maximum deduction allowed from \$1,200 to \$2,400 and \$2,400 to \$4,800, respectively, for account owners filing singly and those filing jointly. Proposed law specifies that the increased deduction will apply beginning in tax year 2024.

Effective August 1, 2023.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	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

The Dept. of Revenue is anticipated to incur minor costs in additional staff time to modify and test tax systems to accommodate the modified deduction.

REVENUE EXPLANATION

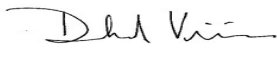
As nonpublic school expenses typically exceed \$4,800 per student per year, presumably a significant portion of current participants will see their maximum deduction double from the current \$1,200 or \$2,400 maximum. Proposed law would begin to affect collections when returns for Tax Year 2024 are filed in FY25, and the likely revenue impact would be to approximately double the revenue loss from a fully ramped-up START K12 program.

A full year of data on this deduction has not yet been collected as of the writing of this analysis, as its initial year of applicability was Tax Year 2022. LFO notes that when the first year of program data becomes available, it will likely not yet reflect a full ramp-up of participation in the program.

For information purposes, the most recent revenue impacts anticipated due to the START K12 deduction estimated a potential annual reduction of approximately \$700,000, upon full ramp-up of program participation and adjusted for current tax rates. This analysis was made for for SB 5 of the 2021 Regular Session, and it implies an additional \$700,000 reduction to general fund revenues due to proposed law. However, no cap on participation or maximum aggregate deductions exists for the program in current law or proposed law. The state's exposure may be substantial given the number of taxpayers with a student in a nonpublic school.

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}



Deborah Vivien
Chief Economist