

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 487** HLS 18RS 287

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 20, 2018 1:54 PM	Author: ZERINGUE
Dept./Agy.: LOSFA/START	Analyst: Willis Brewer
Subject: education savings accounts for K-12 tuition expenses	

STUDENT/TUITION OR DECREASE GF EX See Note Page 1 of 2
Creates a program for education savings accounts for tuition expenses for elementary and secondary schools

Proposed law creates the La. Student Tuition Assistance and Revenue Trust Kindergarten Through Grade Twelve (START K12) Program, an education savings program that is similar to the START program except that it is for certain expenses associated with enrolling in grades kindergarten through 12. Defines such expenses as tuition in connection with enrollment or attendance at a public or approved nonpublic elementary or secondary school in La., limited to grades K12. Limits disbursements of such expenses to a maximum of \$10,000 per tax year, per beneficiary. Provides for a state match at the same rates applicable to the START Program and for administration by LATTA. Does not provide for exemption of a portion of annual deposits from an account owner's state tax table income. (Legislation regarding tax exemptions during a Regular Session during an even-numbered year is prohibited by present constitution.) Prohibits a transfer or rollover from a START account to a START K12 account.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	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

The proposed law is anticipated to increase state expenditures and expenditures of LOSFA due to the creation of the Student Tuition Assistance and Revenue Trust (START) K-12 Program. Per 17:3095, the START program provides earning enhancements (EE) based on the total deposits made into the account and the account holders' adjusted gross income on the federal tax return for the taxable year. Account holders with a reported federal adjusted gross income less than \$30,000 receives an earnings enhancement rate of 14%, \$30,000 to \$44,999 receives 12%, \$45,000 to \$59,999 receives 9%, \$60,000 to \$74,999 receives 6%, \$75,000 to \$99,999 receives 4%, and \$100,000 or more receives 2%. This EE is paid for with SGF that is appropriated to the Board of Regents (BOR) and deposited into each of the accounts. Over the last five-years, the average EE amount allocated to the START accounts is \$2.1 M with an average deposit of \$2,302. The START K-12 EE contribution is identical to START plan.

Based on the 2016 tax returns, there were 72,000 filers with 128,000 dependents that claimed deductions from income for K-12 tuition expenses of approximately \$391 M that did not also receive a START contribution tax deduction.

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REVENUE EXPLANATION

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

Note:

The proposed law provides for state subsidized enhancement earnings (identical to START), but does not provide for the exemption of a portion of annual deposits from an account owner's state tax table income as authorized by 17:3095. START account owners that file single returns can receive a maximum deduction from income of \$2,400 and jointly filed returns can receive a maximum \$4,800 per account owner per taxable year assuming the amount is deposited into the account during that year. (For the 2016 tax year, 12,766 filers claimed this deduction from income for 17,363 dependents).

Furthermore, this measure prohibits the ability to transfer funds between accounts which will prevent the users from depositing funds in the START account, receiving a tax exemption for said deposit, an earnings enhancement, and then transferring funds to the START K-12 plan for tuition payments. Pursuant to 47:291.10, these payments are eligible for a deduction from income of up to \$5,000 per child for payments to non-public schools and public lab schools. (For the 2016 tax year, 76,331 filers claimed this deduction for 135,236 dependents.)

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}

Gregory V. Albrecht
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Chief Economist

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CONTINUED EXPLANATION from page one:

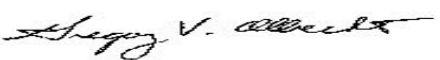
Continued from Page 1

For illustrative purposes, assuming all 72,000 of these filers establish only one START account and assuming the average deduction per gross income range (i.e., \$0- \$29,999, \$30,000 - \$44,999, etc) is deposited into the START account the estimated EE payments total \$11 M. It is unlikely that all will utilize this option, but if five percent (3,600) of these filers establish a START account, it equates to \$550,000 in state general fund earning enhancements obligations.

The proposed legislation will increase the expenditures of the Louisiana Office of Student Financial Assistance (LOSFA) for one-time programming costs (\$115,000) and two additional staff and supplies (\$150,000). The estimated programming cost is based on LOSFA's hourly rate (\$120) with its IT programming provider (ThoughtSpan) for 958 hours. LOSFA will have to update the START website to include K-12 education including the ability to produce on-line documentation and to modify their system to allow for the disbursements to K-12 schools. LOSFA recently modified its system to include the Achieving a Better Life Experience (ABLE) savings account to its system and, to date, the implementation of this savings account has taken 1,075 hours and approximately \$129,000. The additional staff requirement is dependent upon the number of new accounts and the number of withdrawals that may arise as a result of this legislation. To the extent the number of accounts and the volume of withdrawals is less, LOSFA may not need these additional staff resources.

- 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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