

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



Fiscal Note On: **HB 650** HLS 18RS 696

Bill Text Version: **RE-REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 25, 2018	1:43 PM	<b>Author:</b> FOIL
<b>Dept./Agy.:</b> LOSFA/START		<b>Analyst:</b> Willis Brewer
<b>Subject:</b> Education savings accounts for K-12 tuition expenses		

STUDENT/TUITION RR INCREASE GF EX See Note Page 1 of 1  
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. Does not provide 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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The proposed law is anticipated to increase state expenditures of LOSFA due to the creation of the Student Tuition Assistance and Revenue Trust (START) K-12 Program 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 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. LOFSA 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.

Note:

Per 17:3095, the START program provides state subsidized 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. This legislation does not provide for earning enhancements.

**REVENUE EXPLANATION**

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

Note:

The proposed law 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, 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.) However, the proposed law will allow START account holders in 2018 a one-time disbursement not to exceed \$10,000 from funds deposited prior to 1/1/18 to pay tuition at an elementary or secondary school. These disbursements cannot include any earnings enhancements or interest that may have accrued to the account.

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}

*Evan Brasseaux*  
**Evan Brasseaux**  
**Staff Director**