LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 118** SLS 25RS 375
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 7, 2025 3:14 PM
Author: FOIL
Dept./Agy.: Department of Revenue / Board of Regents
Subject: Individual Income Tax Deduction: ABLE Accounts
Analyst: Noah O'Dell

TAX/INCOME/PERSONAL OR DECREASE GF RV See Note

Excludes certain amounts deposited into ABLE accounts for qualified expenses of persons with disabilities from state income tax. (8/1/25)

Current law provides for the Achieving a Better Life Experience (ABLE) in Louisiana Account, a federal 529 account, allowing deposits to be used for qualified disability expenses and related to the independence and care of the eligible disabled. Up to $100,000 in the ABLE account is deducted from income for Supplemental Security Income (SSI) and Medicaid eligibility, earnings grow free of federal income tax if spent on eligible expenses, and account withdrawals have no time or age limits.

Proposed law allows for a state income tax deduction equal to ABLE account deposits to an account owner on behalf of any designated beneficiary. The deduction is capped annually at $2,400 per beneficiary for single filers and $4,800 for joint filers, but contains no program cap on participation or maximum aggregate deductions with unused amounts rolling over to subsequent years. Earnings and deposits must be spent on eligible expenses to remain exempt. Taxpayers are eligible to claim both the ABLE exemption and certain other school tuition-related deductions in the same year. Effective with TY 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**SEE BELOW**	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	**SEE BELOW**	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total			**$0**	**$0**	**$0**	**$0**

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) is anticipated to incur estimated costs of $25,200 SGR in FY 27 related to computer system development, modification, and testing. The income tax deduction will require an additional line on multiple returns and associated forms as well as possible additional documentation for eligibility. The department reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

LOFSA administers the program under the supervision of the Louisiana Tuition Trust Authority in consultation with the ABLE advisory council and reports no anticipated direct material effect on governmental expenditures from the bill. LOFSA is expected to experience minor one-time costs in FY 26 associated with with updating publications, but these costs can be absorbed in the existing budget. To the extent the bill increases the number of accounts, account administration workload may potentially increase.

REVENUE EXPLANATION

The bill is anticipated to decrease general fund revenue* beginning in FY 27 when 2026 tax returns are filed. The bill allows for the deduction of deposits into ABLE savings accounts from state taxable income. The annual deduction is capped at $2,400 per beneficiary per taxable year for taxpayers filing single returns and $4,800 for joint returns. Earnings spent on eligible expenses would also be exempt from state income tax.

The bill does not change the eligibility or spending requirements, only allows a state income tax deduction for deposits and earnings. Currently, LOFSA reports as of 1/31/25 there were 1,484 active ABLE accounts and $2,355,771 deposits made in FY 24. If the deduction applied to all of these deposits and taxpayers were subject to a 3% income tax rate, the revenue loss associated with the program would be approximately $70,673 in FY 24. However, each individual taxpayer would be constrained to the deduction caps set forth in the proposed law and to individual financial circumstances regarding saving, making this particular estimate speculative in nature. It is not clear whether the state deduction will induce additional activity in the program. No program cap on participation or maximum aggregate deductions exists in proposed law, leaving the potential for exposure to the state fisc, should taxpayer participation in the program increase.

* The SGF impact may originate as the LDR retention of 1% of income and sales tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

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