LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 234** HLS 15RS 588
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 19, 2015 5:06 PM **Author:** FOIL
Dept./Agy.: Revenue
Subject: Income Tax Exclusion for ABLE Accounts **Analyst:** Greg Albrecht

TAX/INCOME TAX EG SEE FISC NOTE GF RV See Note
Excludes qualified deposits in ABLE Accounts from "tax table income" for purposes of calculating individual income tax

Provides for amounts deposited into special savings accounts financing qualified expenses of person with disabilities to be excluded from taxable income for state personal income tax purposes. Qualifying expenses are allowed in R.S. 46:1721, et seq., including assistive devices and services, k-12 and higher education expenses including tuition, health expenses including insurance premiums, housing expenses including rent or purchase, and transportation expenses including the purchase or modification of vehicles. Applicable to tax years beginning on and after January 1, 2016.

These provisions appears to be dependent upon the ABLE Account Program For Disability-Related Expenses contained in RS 46:1721, et seq., Act 93 of the 2014 Session. That Act establishes an authority to establish and administer a program providing for the special savings accounts referenced in this bill. the program is to be treated in the same manner as a IRS Code Section 529 qualified tuition program and the accounts are to be treated in the same manner as accounts provided for in the La Student Tuition Assistance and Revenue Trust Program, including maximum contribution limits per beneficiary that are currently $2,400 for single tax filers and $4,800 for joint filers. The ABLE program in Act 93 of 2014 is contingent upon federal establishment of similar tax-advantaged savings accounts.

EXPENDITURES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes such as this (several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

Assuming the provisions of this bill become effective only upon enactment of comparable federal legislation (that then makes Act 93 of 2014 effective), there is no fiscal impact from the bill at the current time. Federal legislation has passed the House of Representatives (H.R. 647 - ABLE Act of 2014), but has not yet been enacted. Estimates of the federal revenue loss of H. R. 647 made by the Congressional Budget Office, which might suggest state level revenue losses, are quite small. However, the federal program would only exclude the earnings for these special savings accounts from federal income tax. This bill (HB 188) excludes the contributions to the accounts as well as the earnings. Thus, state revenue losses would be considerably higher than what might be expected by simple extrapolations of the federal loss estimates. Of note from the federal estimates is the ramp-up of revenue losses over time as program participation grows. The federal revenue loss estimate by the fifth year is nearly 50 times larger than the first year loss estimate.

Revenue costs of programs such as this can be relatively small, especially in early years, simply because households only slowly become aware of the availability of the program, and because households have to have income levels sufficient make allowable contributions in the first place. For example, the START program contributions income exclusion, that this bill references, has been allowed since tax year 2001, and currently results in about $2 million per year of state income tax loss. However, the bill can only work to reduce net state revenue collections once it is being utilized.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter

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