

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER 1254

HOUSE BILL NUMBER 320

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to higher education funding.

SPONSOR Representative M. Denham

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				(\$1.6 M)
EXPENDITURES				
NET EFFECT				(\$1.6 M)

() indicates a decrease/negative

MEASURE’S PURPOSE: The stated purpose of this proposal is to encourage and assist taxpayers in saving for their college education and for the college education of their dependents.

PROVISIONS/MECHANICS: Amends KRS 141.010 to exclude from adjusted gross income up to \$5,000 for the taxpayer and each dependent, limited to a maximum annual exclusion of \$10,000, of qualified contributions to the Kentucky educational Savings Plan Trust. The provision applies to taxable years beginning on or after January 1, 2019, and before January 2025.

FISCAL EXPLANATION: According to testimony before the Interim Joint Committee on Appropriations and Revenue in September 2015, there are approximately 15,400 accounts in the college savings plan trust. A discussion with KHEEA staff revealed that approximately 9,000 accounts are actively receiving contributions within a calendar year. The average amount of contribution to these accounts is approximately \$1,700. Because grandparents and other parties may each individually set up an account for the same beneficiary, the 9,000 accounts do not correlate to the number of accounts specifically for taxpayers or their dependents. This proposal is intended to encourage additional contributions and additional new accounts by taxpayers for

their college education and the education of their dependents.

If all individuals made the maximum contribution of \$5,000 to all 9,000 accounts, assuming a tax rate of 5.8%, the maximum negative impact to the general fund would be \$2.6 M. If contributions of \$3,000 were made to all 9,000 accounts, the negative impact to the general fund would be \$1.6 M. If no change in contributions occurred, the minimum negative impact to the general fund would be \$900,000.

The maximum and minimum estimates are not anticipated, therefore, the negative impact to the general fund is estimated to be \$1.6 M. Since this proposal would not apply to taxable years within the current or next biennium, no fiscal impact would occur until 2018-2019 with a small impact related to an adjustment to withholding or estimated tax payment. 2019-2020 would be the fiscal year in which full implementation would occur.

DATA SOURCE(S): KHEAA staff and website, LRC staff

PREPARER: Jennifer Hays NOTE NUMBER: 64 REVIEW: JRS DATE: 2/8/2016

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