

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

MEASURE

2016 BR NUMBER **0289**

HOUSE BILL NUMBER **72**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to an income tax deduction for qualified tuition programs.**

SPONSOR **Representative Montell**

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			(\$1.3 M)	(\$1.3 M)
EXPENDITURES				
NET EFFECT			(\$1.3 M)	(\$1.3 M)

() indicates a decrease/negative

MEASURE'S PURPOSE: The proposal would create an income tax deduction for up to \$4,000 of contributions made during a taxable year to a qualified tuition program organized under Section 529 of the Internal Revenue Code and operated by the Commonwealth.

PROVISIONS/MECHANICS: Amends KRS 141.010 to exclude, from adjusted gross income, up to \$4,000 of contributions or purchases made during the taxable year to or through a qualified tuition program organized and operated by the Commonwealth. Contributions or purchases in excess of \$4,000 during a taxable year may be carried forward to future taxable years, provided that the maximum exclusion for any taxable year is no more than \$4,000. The provision applies to taxable years beginning on or after January 1, 2017. There is no sunset date for this deduction.

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 KHEAA 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 \$4,000 to all 9,000 accounts, assuming a tax rate of 5.8%, the maximum negative impact to the general fund would be \$2.1 M. If contributions of \$2,500 were made to all 9,000 accounts, the negative impact to the general fund would be \$1.3 M. If no change in contributions occurred, the minimum negative impact to the general fund would be \$890,000.

The maximum and minimum estimates are not anticipated, therefore, the negative impact to the general fund is estimated to be \$1.3 M.

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

PREPARER: Jennifer Hays NOTE NUMBER: 58 REVIEW: JRS DATE: 2/8/2016