Wisconsin Department of Administration Division of Executive Budget and Finance DOA-2048 (R07/2000)

## Fiscal Estimate - 2001 Session

	Driginal	$\boxtimes$	Updated		Corrected	S	upplemental		
LRB N	umber <b>01</b>	-2844/1		Introdu	uction Numbe	er <b>SB-</b>	131		
Subject							-		
Allow grai	ndparents an ir	ndividual ind	ome tax dedu	ction for Ed Ve	st contributions				
Fiscal Eff	ect								
State:  No State Fiscal Effect Indeterminate Increase Existing Appropriations Decrease Existing Appropriations Appropriations Create New Appropriations Increase Existing Appropriations Revenues Decrease Existing Appropriations Revenues Decrease Costs No Local Government Costs Indeterminate  I. Increase Costs Permissive Mandatory Permissive Mandatory  Permissive Mandatory  Permissive Mandatory Permissive Mandatory  Permissive Mandatory  Permissive Mandatory  Permissive Mandatory  Permissive Mandatory  Permissive Mandatory  Affected Ch. 20 Appropriations									
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Agency/P	repared By		4	Authorized Sig	gnature		Date		
TREAS/ Marty Olle (608) 264-7886				Scott Feldt (608	4/27/01				

## Fiscal Estimate Narratives TREAS 4/30/01

LRB Number <b>01-2844/1</b>	Introduction Number	SB-131	Estimate Type	Updated					
Subject									
Allow grandparents an individual income tax deduction for Ed Vest contributions									

## Assumptions Used in Arriving at Fiscal Estimate

- 1. One part of the bill, as amended, makes grandparents eligible for a deduction from taxable state income up to \$3,000 annually per grandchild for contributions to an EdVest college savings account:
- a. 12% of all EdVest account owners are grandparents.
- b. Assume % will remain constant, because parents are also eligible for the tax deduction.
- c. To date, the average # of new accounts annually is 600. Grandparents = 72.
- d. Assume new accounts will increase to 10,000 annually [1,200 grandparents] due to new partnership with private vendor, additional investment options available to participants, and increased marketing/public awareness.
- e. Each new account has an average initial investment of \$2,040 plus \$93/month.
- f. Annualized increase in EdVest revenues for the first full year = \$2,040 + [\$93 x 6 months] = \$2,600 x 1,200 accounts = \$3,120,000.
- 2. The other main part of the bill, as amended, adjusts parent eligibility to be the same as grandparents. Currently, beginning 1/1/01, parents who invest in both parts of the EdVest program may make a deduction up to \$6,000 per year per dependant child. We estimate that reducing parent eligibility to \$3,000 will have the following effect:
- a. 86% of all EdVest account owners are parents.
- b. Assume new accounts will increase 10,000 annually [8,600 parents] as stated above.
- c. Assume that eligibility for a \$6,000 deduction would have increased the average annualized investment from the previous \$2,600 to \$3,600.
- d. EdVest revenues from the 6,000 deduction total  $8,600 \times 3,600 = 30,960,000$ .
- e. EdVest revenues if deduction is reduced to \$3,000 total 8,600 x \$2,600 = \$22,360,000.
- f. The decrease in EdVest revenues = \$8,600,000.
- 3. The net impact from the amended bill is an anticipated increase of \$3,120,000 invested by grandparents and an anticipated decrease of \$8,600,000 from parents for a net decrease of \$5,480,000.

The lower level of account activity will have minimal impact on the processing and customer support workload for EdVest staff.

## **Long-Range Fiscal Implications**

Long-range revenue and administrative cost increases will be monitored through the biennial budget and s.16.515 process.