

Fiscal Estimate Narratives

TREAS 3/24/2003

LRB Number	03-1418/2	Introduction Number	AB-209	Estimate Type	Original
Subject					
Allow Edvest tax deduction to be claimed by great-grandparents, aunts, uncles					

Assumptions Used in Arriving at Fiscal Estimate

Data as of 12/31/02:

EDVEST:

Wisconsin Households With Aunt/Uncle as Account Owner = 885 [actual]
Owner = Great-grandparent = 15 [estimate]

Number of above households contributing \$3,000 or more in 2002 = 27 [actual]

Total contributions made by aunts/uncles = \$637,246 [actual]
Contributions made by the "\$3,000" group = \$3,000 x 27 = ~\$81,000
Net contributions [excluding "\$3,000 group"] = \$637,246 - \$81,000 = \$556,246

Average investment per year excluding "\$3,000" group = \$556,246 / [885-27] = \$648

Cost to State for aunts/uncles = \$81,000 x 6.7% marginal tax rate = \$5,427 plus
\$556,246 x 6.5% marginal tax rate = \$36,156

Cost for Great-grandparents = 15 x \$648 = \$9,720 x 6.5% tax rate = \$632

TOTAL EdVest Cost to State = \$42,215

Note: There is a "Tomorrow's Scholar" portion of the EdVest program which is also eligible for the state tax deduction, but > 95% of all Tomorrow's Scholar accounts are owned by non-residents and the revenue impact to the State is minimal.

Long-Range Fiscal Implications

Assume growth of approximately 600 accounts annually for about eight years, at a cost increase of ~\$26,000 per year after which growth will level off. At that time, new accounts may be matched by account close-outs as students complete their college experience.