

Fiscal Estimate Narratives

DOR 04/20/2001

LRB Number 01-2254/1	Introduction Number AB-298	Estimate Type Original
Subject Allow grandparents an individual income tax deduction for Ed Vest contributions		

Assumptions Used in Arriving at Fiscal Estimate

This bill would allow grandparents to claim a deduction for contributions to a prepaid college tuition plan benefiting the claimant's grandchild. Under current law, an individual income tax deduction for each beneficiary of up to \$3,000 per year is available only to parents or guardians who make contributions to accounts benefiting their children or dependents, or to beneficiaries who open their own accounts.

According to EdVest, there are currently 2,166 existing accounts. Approximately 12%, or about 260, of these accounts have been opened by individuals who are grandparents of the beneficiary. If total participation were to increase by as many as 5,000 new accounts annually and assuming that the percentage of grandparents opening accounts will remain constant, 600 new accounts would be deductible under this bill. Assuming that the average annual contribution is \$2,600 and an average marginal tax rate of 6.14%, the revenue loss from this bill would be approximately \$140,000 ($\$2,600 \times 860 \text{ accounts} \times 0.0614$).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Allow grandparents an individual income tax deduction for Ed Vest contributions			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-140,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-140,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-140,000	\$
Agency/Prepared By		Authorized Signature	Date
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