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

Fiscal Estimate - 2001 Session

☐ Original ☒ Updated ☐ Corrected ☐ Supplemental

LRB Number **01-2254/1**	Introduction Number **AB-298**

Subject

Allow grandparents an individual income tax deduction for Ed Vest contributions

Fiscal Effect

State:
- ☒ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs — ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs — ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue — ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue — ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected — ☐ Towns ☐ Village ☐ Cities ☐ Counties ☐ Others ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.585 (2)(q) and (s)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

TREAS 4/30/01

LRB Number **01-2254/1**	Introduction Number **AB-298**	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 x $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.