



**Fiscal Estimate Narratives**  
**DOR 1/12/2004**

LRB Number <b>03-3671/1</b>	Introduction Number <b>AB-741</b>	Estimate Type <b>Original</b>
<b>Subject</b> College savings program; permit tax deduction for contributions to out-of-state 529 plan		

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, up to \$3,000 of contributions to an EdVest II account per beneficiary may be deducted from Wisconsin adjusted gross income (WAGI) if the beneficiary of the account is the claimant, the claimant's child and dependent, or the claimant's grandchild. EdVest II is Wisconsin's version of a qualified tuition program that is authorized under section 529 of the federal Internal Revenue Code. This bill would expand the income tax deduction to contributions to the section 529 plan of any state.

According to limited information received from the College Savings Plans Network and the college savings plan programs in several states, about 0.75% of the total section 529 accounts in each state, other than Wisconsin, are owned by Wisconsin residents. Therefore, Wisconsin residents own an estimated 41,200 section 529 accounts in states other than Wisconsin. The average annual contribution made by parents to an EdVest account is \$2,300. Assuming that each of the 41,200 account owners annually contribute \$2,300 to an account, under the proposed bill, \$94.8 million (41,200 X \$2,300) in contributions would be excluded from income. Assuming an average marginal tax rate of 5.5%, this would result in a decrease in income tax revenue of \$5.2 million (\$94.8 million X .055). However, this estimate is based on limited information, and therefore, the fiscal effect of the proposed bill could be much higher or lower.

**Long-Range Fiscal Implications**

According to EdVest, there are many requests from EdVest account owners to move their dollars to the Virginia program, the largest section 529 program. This may be a sign that encouraging investments in the section 529 plans of other states could lead to a decrease in participation in the EdVest program over time.

The proposed bill would provide an incentive for Wisconsin residents to invest in section 529 plans in other states and therefore, the number of accounts held by Wisconsin taxpayers would increase. The number of these accounts is also expected to increase with the growing popularity of these accounts. If both these scenarios occur, the revenue loss could grow to a substantially higher amount in future years.

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 03-3671/1	<b>Introduction Number</b> AB-741	
<b>Subject</b> College savings program; permit tax deduction for contributions to out-of-state 529 plan		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-5,200,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-5,200,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-5,200,000	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Karyn Kriz (608) 261-8984	Dennis Collier (608) 266-5773	1/12/2004