



## Fiscal Estimate Narratives

TREAS 4/30/01

LRB Number 01-2844/1	Introduction Number SB-131	Estimate Type Updated
<b>Subject</b> 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 =  
 $\$2,040 + [\$93 \times 6 \text{ months}] = \$2,600 \times 1,200 \text{ accounts} = \$3,120,000.$
  
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  $8,600 \times \$2,600 = \$22,360,000.$
  - 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.