

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2544-01  
Bill No.: SB 667  
Subject: Banks and Financial Institutions; Taxation and Revenue - Income; Treasurer, State  
Type: Original  
Date: March 12, 2007

Bill Summary: This proposal modifies the Missouri Higher Education Savings Plan.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$6,500,000 to \$13,300,000)	(\$6,500,000 to \$13,300,000)	(\$6,500,000 to \$13,300,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$6,500,000 to \$13,300,000)</b>	<b>(\$6,500,000 to \$13,300,000)</b>	<b>(\$6,500,000 to \$13,300,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of the State Treasurer** assume this bill would establish a State income tax deduction up to \$4,000 to Missouri taxpayers placing investments in other states' 529 college savings plan that meet certain criteria set by the MOST Board. The bill would continue to allow contributions to the State's own plan(s) up to \$8,000 to be deducted from the State income tax. Thus, the bill establishes a two-tier tax deduction. Currently, this deduction is allowed only to investors in Missouri's MOST plan.

The primary fiscal impact of the expansion of other state 529 plans for deductions by Missouri taxpayers is the tax loss to General Revenue. Because the board has not established criteria for the approval of other states' plans, the fiscal impact of the proposed change is unknown. Also, because several states with significant 529 assets have refused to divulge data on the location of their account owners, it is difficult to estimate the number of Missourians' assets in other 529 plans.

Based on an analysis of national statistics and the current usage of state tax deductions by MOST account owners, the State Treasurer's Office has estimated a maximum annual tax impact to the State of Missouri of up to \$13.3 million. This estimate actually does not assume that 100% of all eligible 529 users in the State would file a deduction but is based on an analysis of the current level of claims by State taxpayers. Depending on which states' 529 plans were approved by the MOST Board as eligible for a State tax deduction, the actual tax impact to the State may range from \$6.5 million to the maximum of \$13.3 million.

Also, unlike Missouri, many states' 529 plans charge an administrative fee that is used to fund the state's operating costs and/or scholarship programs for their state's residents, or they may simply build this into their program management costs. From a policy and legal standpoint, by providing a tax deduction for other states' 529 plans, the State of Missouri would be subsidizing these other states' scholarship programs or other state costs. The costs of this subsidy are unknown.

Officials at the **Department of Revenue** (DOR) assume no fiscal impact to DOR from this proposal. Office of Administration Information Technology (ITSD-DOR) assume this request can be accomplished within existing Resources.

Officials at the **Department of Higher Education** and the **Department of Insurance, Financial Institutions and Professional Registration** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

**Oversight** assumes a range of \$6.5 to 13.3 Million loss to general revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Loss - General Revenue</u>			
Tax deduction for 529 contributions	<u>(\$6,500,000 to \$13,300,000)</u>	<u>(\$6,500,000 to \$13,300,000)</u>	<u>(\$6,500,000 to \$13,300,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$6,500,000 to \$13,300,000)</u></b>	<b><u>(\$6,500,000 to \$13,300,000)</u></b>	<b><u>(\$6,500,000 to \$13,300,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

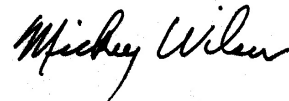
This act authorizes a state tax deduction of up to \$4,000 per taxpayer for contributions made to qualified educational savings programs sponsored by other states. No person cannot deduct more than \$8,000, in the aggregate, in a fiscal year for contributions to a Missouri educational savings program or another state's educational savings program. Such programs must meet certain investor protection measures promulgated the Missouri higher education savings program board. Contributions and earnings in the program shall not be considered income when determining a student's eligibility for financial assistance under any state aid program.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Office of the State Treasurer



Mickey Wilson, CPA  
Director  
March 12, 2007