

FISCAL NOTE

June 26, 2017

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|-----------------|--------|----------------------|---------|-----------------|-------|
| Bill No: | SB 677 | Printer's No: | PN 0798 | Sponsor: | Baker |
|-----------------|--------|----------------------|---------|-----------------|-------|

COST / (SAVINGS)

| Fund (s) | 2016-17 | 2017-18 |
|-----------------|---------------------|----------------|
| General Fund | "See Fiscal Impact" | \$500,000 |

SUMMARY: This legislation is a freestanding act that would establish the Pennsylvania ABLE Savings Program Tax Exemption Act to provide ABLE account tax deductions.

ANALYSIS: Under this legislation, the following shall be exempt from all taxation by PA and its political subdivisions and shall be subject to the deduction rules:

- Undistributed earnings on an ABLE savings account
- A rollover distribution that is excludable from tax under section 529A(c) (qualified ABLE programs) of the Internal Revenue Code (IRC)
- An amount distributed from an account that is excludable from tax under section 529A(c) of the IRC

An amount paid as a contribution into an account shall be deductible from taxable income on the annual personal income tax return. The amount paid as a contribution to an ABLE savings account allowable as a deduction shall be subject to an annual limitation to not to exceed the threshold for exclusion from gifts as provided in section 2503(b) (exclusion from gifts) of the IRC. The deduction shall not result in taxable income being less than zero.

An amount that is distributed from an account which is not described as being exempt from taxation under this act shall be subject to tax under the Pennsylvania personal income tax.

A change in designated beneficiaries under section 529A(c) of the IRC shall not constitute a taxable event.

This act shall take effect immediately.

FISCAL IMPACT:

SB 677 PN 798: Contributions to ABLE Savings Programs Deductible from Contributor Income
Effective immediately upon passage
\$Millions

| | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Deduction from income for contributions to an ABLE account | NA | (0.5) | (1.1) | (2.2) | (4.8) | (6.0) |