

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0661 **Date:** March 18, 2013
Prime Sponsor(s): Sen. Hudak; Renfroe **Bill Status:** Senate Finance
 Rep. Pettersen; Priola **Fiscal Analyst:** Josh Abram (303-866-3561)

TITLE: CONCERNING THE DIRECT DEPOSIT OF AN INDIVIDUAL TAXPAYER'S STATE INCOME TAX REFUND TO A COLLEGEINVEST SAVINGS ACCOUNT ADMINISTERED BY COLLEGEINVEST.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures		
General Fund	\$16,872	\$4,291
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill requires that the Department of Revenue (DOR) collaborate with the Department of Higher Education to modify the state individual income tax return form to permit an individual taxpayer to make a direct deposit of his or her state tax refund to a college savings plan administered by CollegeInvest. The form must also include a means to obtain information describing CollegeInvest savings plans and how to establish one. The tax form must be modified for tax years beginning on and after January 1, 2013.

Background

CollegeInvest, a division of the Department of Higher Education, administers the state's federal college savings plans (529 plans) and various scholarship and loan forgiveness programs. CollegeInvest does not receive appropriations from the General Assembly; it pays for its operations through profits earned on its student loans, administrative fees received for managing 529 plans, and investment income.

Currently, individual taxpayers may elect to have their state income tax refunds deposited directly to a private checking or savings account. This legislation will give them the additional option of directing their refund into an existing CollegeInvest 529 account.

State Expenditures

For FY 2013-14, the Department of Revenue has increased costs of \$16,872. For FY 2014-15, increased costs are \$4,291. New expenditures are displayed in Table 1 and described below.

Table 1. Expenditures Under SB13-206		
Cost Components	FY 2013-14	FY 2014-15
Computer programming	\$4,000	\$0
Temporary seasonal staff	12,872	4,291
TOTAL	\$16,872	\$4,291

The DOR will have a one-time cost of \$4,000 to modify the individual income tax form and to program department computer systems. Whenever changes are made to the individual income tax return, the DOR experiences increased telephone inquiries from taxpayers. Approximately 22,000 taxpayers participate in 529 plans. Of this amount, it is estimated that up to 30 percent, or 6,600, will deposit their refund into a CollegeInvest account. As a result, the DOR will receive an increased volume of telephone inquiries concerning the deposit option, which is anticipated to decrease in the second and subsequent years. This estimate is based on the DOR's previous experience with changes to the individual income tax form 104. While some callers will simply be referred to CollegeInvest, the DOR requires resources to answer the calls and resolve taxpayer issues. This expense will be addressed with seasonal temporary staff at a cost of \$12,872 in FY 2013-14 and \$4,291 in FY 2014-15.

State Appropriations

For FY 2013-14, the Department of Revenue requires a General Fund appropriation of \$16,872.

Departments Contacted

Higher Education

Revenue