

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0916	Date: April 16, 2015
Prime Sponsor(s): Rep. Danielson; Landgraf Sen. Kefalas; Martinez Humenik	Bill Status: House Public Health Care and Human Services
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BILL TOPIC: SAVINGS PROGRAM FOR PERSONS WITH DISABILITIES

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		Potential decrease.
State Expenditures General Fund	Minimal workload increase.	\$17,550 \$17,550
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

This fiscal note should be considered preliminary, and will be updated if new tax implication information is available.

Summary of Legislation

The bill establishes authority in the Department of Higher Education (DHE) to create the Achieving a Better Life Experience (ABLE) savings program for qualified individuals with disabilities. The ABLE program must comply with the 529A requirements set forth by the Internal Revenue Service and federal securities laws. The bill specifies powers and duties of the DHE to implement the ABLE savings program, including requirements concerning contributions, withdrawals, and account management.

Background

In December 2014, the federal ABLE Act was signed into law. The law established a new Internal Revenue Service 529A tax code for ABLE accounts, modeled after existing Section 529 education savings accounts, which are tax-advantaged savings plans designed to encourage savings for future college costs. Sometimes referred to as "qualified tuition plans," 529 savings programs are managed by states and authorized by Section 529 of the Internal Revenue Service Code.

Beginning in 2015, states may established ABLE programs to allow qualified individuals to save for expenses related to the individual's disability. As of March 2015, 38 states have pursued legislation to create or authorize ABLE savings programs.

State Revenue

The bill decreases state revenue, likely beginning in tax year 2016. The bill authorizes qualified individuals to create tax exempt ABLE savings program accounts. Although the number of potential individuals who will qualify and elect to create ABLE savings program accounts is unknown, the fiscal note assumes that decreases in state revenue will be minimal.

State Expenditures

The bill increases state expenditures in some state agencies by a minimal amount. The bill requires the Department of Higher Education (DHE) to implement the ABLE program. The DHE will be responsible for researching best practices, consulting with other states, and federal and financial experts, creating guidelines, and implementing the ABLE program savings account program, which will all increase workload in the department.

In FY 2016-17, the bill increases expenditures in the Department of Revenue (DOR) by \$17,550. The DOR will need to make one-time modifications to the Colorado 104 Tax Form and make programming software changes allowing the GenTax system to apply ABLE program deductions to an individual's adjusted gross income.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Higher Education
Revenue

Human Services
Health Care Policy and Financing