



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2119

PRINTER'S NO. 2701

PRIME SPONSOR: Scott

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	See Fiscal Impact

SUMMARY:

House Bill 2119, Printer's Number 2701, would provide for tax-free rollovers from a designated beneficiary's 529 tuition savings account to a Roth IRA account.

ANALYSIS:

This bill amends Act 2 of 1971 (Tax Reform Code of 1971) to exclude any rollover that is exempt from tax under Section 529(c)(3)(E) of the Internal Revenue Code of 1986, relating to tax exemption of amounts rolled over from an eligible qualified tuition program (e.g., PA 529 savings account) to the designated beneficiary's Roth IRA account, from income for purposes of the state Personal Income Tax.

This legislation would take effect immediately.

FISCAL IMPACT:

The Department of Revenue expects that enactment of this legislation will result in an unknown revenue loss for the state General Fund. The federal tax exemption of rollovers from qualified tuition programs to a beneficiary's Roth IRA account for purposes of federal income tax does not take effect until tax year 2024. As such, the department notes that there is no available data on the number of Pennsylvania taxpayers that would take advantage of this tax exemption for rollovers to measure the fiscal impact of this legislation.

It should be noted that there are eligibility criteria and limits for the federal tax exemption of rollovers from qualified tuition accounts to a Roth IRA beginning in tax year 2024. For example, a beneficiary's qualified tuition account must be open for at least 15 years, and rollovers are subject to the annual Roth IRA contribution limits (for 2024, a limit of \$7,000 for individuals under the age of 50 and \$8,000 for individuals aged 50 or older). There is also a lifetime rollover limit of \$35,000 per beneficiary. The revenue loss resulting from enactment of this legislation would ultimately depend on 1) the number of Pennsylvania taxpayers that meet the criteria to rollover funds without incurring tax liability and opt to do so; and 2) the amount that they roll over each year.

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House Appropriations Committee (D)

DATE: April 15, 2024

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.