

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 677

PRINTER NO. 798

AMOUNT

FY 2017-18: \$500,000

FUND

General Fund

DATE INTRODUCED

May 5, 2017

PRIME SPONSOR

Senator Baker

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 677 is a freestanding act that would establish the Pennsylvania ABLE Savings Program Tax Exemption Act. The tax exemption is designed to encourage eligible individuals with disabilities to save private funds from which the expenses related to their disabilities may be paid.

The Pennsylvania ABLE Savings Program Tax Exemption Act (“act”) provides that the following shall be exempt from all taxation by the Commonwealth and its political subdivisions:

1. Undistributed earnings on an account.
2. A rollover distribution that is excludable from tax under section 529A(c) of the Internal Revenue Code.
3. An amount distributed from an account that is excludable from tax under section 529A(c) of the Internal Revenue Code.

An amount paid as contribution into an account shall be deductible from taxable income on the annual personal income tax return, subject to federal limitations on gifts as provided in the Internal Revenue Code. 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 Internal Revenue Code shall not constitute a taxable event.

This act shall take effect immediately.

FISCAL IMPACT:

Senate Bill 677 is anticipated to result in a cost of \$500,000 in FY 2017-18 and \$1.1 million in FY 2018-19. The Department of Revenue prepared a fiscal impact analysis using a federal estimate of Federal H.R. 647, which created ABLE accounts under section 529A of the Internal Revenue Code. In addition, the analysis used data from the FY 2016-17 expenditure estimate from Pennsylvania’s 529 Tuition Account Program (TAP).