


Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
(replaces fiscal note dated January 22, 2010)

Drafting Number: LLS 10-0432
Prime Sponsor(s): Rep. Kerr A.

Date: February 10, 2010
Bill Status: House Appropriations
Fiscal Analyst: Ron Kirk (303-866-4785)

TITLE: CONCERNING DIRECTION TO COLLEGEINVEST TO PROMOTE THE USE OF COLLEGE SAVINGS PLANS FOR ADULTS TO SAVE IN PURSUIT OF THEIR OWN POSTSECONDARY EDUCATIONAL OPPORTUNITIES.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue General Fund	(up to \$15,974)	(up to \$39,934)
State Expenditures		
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill directs CollegeInvest to promote and encourage the use of 529 savings plans by adults already in the workforce (lifelong learners) to further their own postsecondary education goals. The bill also requires that CollegeInvest develop procedures to allow an employer to make a matching contribution to a lifelong learner's account for any contribution made by the lifelong learner. As amended in the **House Education Committee**, this bill would allow adult lifelong learners to deduct any amount received as employer matching contributions from state income taxes.

State Revenue

State revenue will decrease up to \$15,974 in FY 2010-11 and up to \$39,934 in FY 2011-12.

Background. Under current law, adults that contribute or make payments to CollegeInvest 529 plans can claim a state income tax deduction as long as the contributions are included in their federal taxable income. The change in the ability of employers to make matching contributions to lifelong learner accounts will make it likely that more individuals will claim the state income tax deduction and thus, result in a decrease in state income tax revenue.

For purposes of this deduction, a qualified state tuition program is a 529 Colorado Savings Plan administered by CollegeInvest and includes the Direct Portfolio College Savings Plan, Scholars Choice College Savings Program, Stable Value Plus College Savings Plan, and Prepaid Tuition Fund.

Given the new marketing efforts, the number of lifelong learner accounts is expected to increase by up to 100 new accounts in FY 2010-11 and up to 250 in FY 2011-12. The average annual contribution from lifelong adult learners to these plans will be about \$2,300 per year, or about \$192 per month. Thus, assuming a full year of contributions to these plans, state revenue will decrease because more lifelong learners would be deducting these payments from state income taxes. In addition, as amended by the **House Education Committee**, this bill would allow adult lifelong learners to deduct any amount received as employer matching contributions from state income taxes. Assuming that, on average, employers make matching contributions in an amount of up to 50 percent of the amount contributed by the employee, this change would further decrease state revenue. This fiscal notes estimates that 100 new lifelong learner accounts would decrease state revenue by \$15,974 in FY 2010-11; and that 250 new accounts would decrease revenue by \$39,934 in FY 2011-12.

State Expenditures

No additional expenditures will be incurred to implement the provisions of this bill because CollegeInvest is already marketing 529 plans to lifelong learners. CollegeInvest does not receive appropriations from the General Assembly and indicated that any costs for implementing this bill are absorbed by 529 plan participants.

Departments Contacted

Higher Education

Revenue

Treasury