



HF 124 – College Savings Iowa Contribution Deadline (LSB1498HV.1)
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Fiscal Note Version – New

Description

Under current law, contributions to the Iowa Educational Savings Plan Trust (College Savings Iowa) must be made by December 31 to be deducted from Iowa income for that tax year.

House File 124 extends the contribution deadline through the filing deadline (April 30) for the income tax return. The change applies retroactively to January 1, 2015 (tax year 2015).

Background

Qualified contributions to a College Savings Iowa account are deductible from Iowa taxed income up to an annual limit. That limit is adjusted each year for inflation.

Assumptions

- Extending the contribution deadline will allow individuals to make contributions between December 31 and April 30 and deduct the contribution amount from their State income for the tax year that ended December 31.
- Fiscal impact scenarios:
 - Item A - Under current law, taxpayers that miss the contribution deadline but otherwise would have made the contribution for that year, may effectively lose one year of contribution availability and therefore, one year of the deduction. Missing the deadline for the most part will only impact taxpayers that make the maximum annual tax deductible contribution, as taxpayers that make lesser donations may receive the same deduction benefit by just increasing the contribution the next year.
 - Item B - With passage of the contribution extension in the Bill, taxpayers that do not make the maximum deductible donation in a calendar year will have an additional four months to make contributions towards the previous year's deductible limit. This will only have a fiscal impact in the first year (tax year 2015), as the extension does not necessarily increase the contributions made over their years of participation in the program.
- For this Fiscal Note, the impact of Item A above is assumed to equal 1.5% of the General Fund revenue impact of the current program. The impact of Item A is annual. For Item B, the assumed impact is equal to 5.0% of the General Fund revenue impact of the current program. Since Item B represents contribution dollars that are moved forward one tax year, this impact only applies to tax year 2015 contributions.
- The 2010 Tax Expenditure Study issued by the Iowa Department of Revenue estimates that the Iowa College Savings impact on the State General Fund of the deductible contributions is \$7.5 million per year. For this Fiscal Note, annual tax deductible contributions are estimated to increase 6.5% for tax year 2015 and 1.5% for following fiscal years.
- Contributions for tax year 2015 will first impact the General Fund in FY 2016.

Fiscal Impact

The extended contribution time frame is expected to reduce net General Fund revenue by \$488,000 in FY 2016 and \$112,000 in future fiscal years.

The change will also have a minor negative impact on the local option income surtax for schools.

Source

Iowa Department of Revenue 2010 Tax Expenditure Study

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
