

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6935

BILL NUMBER: HB 1303

NOTE PREPARED: Mar 1, 2022

BILL AMENDED: Feb 22, 2022

SUBJECT: Tax Credit for ABLE Account Contributions.

FIRST AUTHOR: Rep. Olthoff

FIRST SPONSOR: Sen. Holdman

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill creates a stand-alone credit for contributions to Indiana ABLE accounts. It provides that a taxpayer is entitled to a credit against Adjusted Gross Income Tax equal to the least of:
(1) 20% of the amount of the total contributions made by the taxpayer to an account or accounts of an Indiana ABLE 529A savings plan during the taxable year;
(2) \$500; or
(3) the amount of the taxpayer's Adjusted Gross Income Tax for the taxable year, reduced by the sum of all allowable credits.

The bill provides that a taxpayer is not entitled to a carryback, carryover, or refund of an unused credit. It provides that a taxpayer may not sell, assign, convey, or otherwise transfer the tax credit. It provides that an account owner of an Indiana ABLE 529A savings plan must repay all or a part of the credit in a taxable year in which any nonqualified withdrawal is made.

Effective Date: January 1, 2024.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs. The DOR's current level of resources should be sufficient to implement the new tax credit.

Explanation of State Revenues: The tax credit could potentially reduce state Adjusted Gross Income (AGI) Tax liabilities for individual taxpayers who make contributions to an Indiana ABLE account. The credit could reduce state General Fund revenue by an estimated \$0.5 M to \$0.7 M beginning in FY 2025. The revenue loss could potentially increase to the extent that the credit encourages contributions to Indiana ABLE

accounts that would not occur otherwise.

Additional Information - Tax Credit: The bill creates a stand-alone nonrefundable AGI Tax credit for taxpayers who make contributions to Indiana ABLE accounts. Since the credit is effective beginning in tax year 2024, the fiscal impact would begin in FY 2025. The lower bound estimate is based on current contributions to Indiana ABLE accounts. The upper bound estimate is based on the trend in Indiana ABLE accounts opened and contributions made since FY 2018.

ABLE Accounts: ABLE accounts, also known as 529A accounts, allow for individuals with disabilities to save for their future and pay for disability related expenses. The intent of these accounts is to ease financial burdens on individuals with disabilities to allow for tax-free savings to cover qualified expenses including, but not limited to, education, transportation, housing and medical needs. Up to \$16,000 per year can be saved in an account, with a maximum account balance of \$450,000. Balances of \$100,000 or less are excluded from Supplemental Security Income (SSI) resource limit. The Indiana Achieving a Better Life Experience (ABLE) Authority approved and implemented the state's qualified ABLE program, INvestABLE Indiana. The bill provides a tax credit to an individual making contributions into an ABLE account or Indiana ABLE 529A savings plan.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenues; Treasurer of State.

Local Agencies Affected:

Information Sources: *Office of the Indiana Treasurer of State, Annual Report FY 2021.*
<https://www.in.gov/tos/files/TOSAnnualReportFY2021-final.pdf>

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