Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 360 (as introduced 6-3-15)
Sponsor: Senator Rebekah Warren
Committee: Finance

Date Completed: 6-29-15

CONTENT

The bill would amend the Michigan Education Savings Program Act to increase the maximum account balance limit for an education savings account from $235,000 to $500,000.

The Act allows individuals to contribute money to a tax-advantaged account for the benefit of a designated beneficiary to use for qualified educational expenses. Currently, the maximum account balance limit for all of the accounts that name any one individual as the designated beneficiary may not exceed $235,000. The bill would change the limit to $500,000.

The bill is tie-barred to Senate Bills 359, 361, and 362.

Senate Bill 361 would create the "Michigan Achieving a Better Life Experience (ABLE) Act", which would allow an individual to open an ABLE savings account to pay the qualified disability expenses of a designated beneficiary. The bill specifies that the maximum account balance limit for an ABLE savings account would be the same as the maximum allowed for an education savings account.

Senate Bill 359 would amend the Social Welfare Act to require the Department of Health and Human Services, for any assistance program for which financial eligibility was determined, to disregard in its financial eligibility determination money associated with a designated beneficiary's ABLE savings account.

Senate Bill 362 would amend the Income Tax Act to exempt from the income tax contributions to, earnings on, and withdrawals from a Michigan ABLE account, subject to the provisions of the bill.

MCL 390.1480 Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill, in conjunction with the tie-barred bills, would reduce State revenue by an unknown, and potentially significant amount, that would depending upon the number of the number of individuals affected and the magnitude of affected contributions and/or withdrawals (whether qualified or not). The bills would reduce revenue not only by increasing the maximum account balance on Michigan education savings plan accounts, but also by allowing the exemptions associated with the ABLE program. Based on estimates from the Department of Treasury derived from Federal Joint Committee on Taxation data, the bills would reduce revenue by approximately $300,000 in FY 2015-16 and $400,000 in FY 2016-17. As participation increased in future years, the revenue reduction would increase, totaling an estimated $1.0 million in FY 2017-18 and $1.9 million in FY 2018-19.

The bills would reduce both General Fund and School Aid Fund revenue. Under the current income tax rate, approximately 23.8% of gross individual income tax revenue is deposited into the School Aid Fund.

Fiscal Analyst: David Zin