

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1902

Amendment Number: H2 (3/27/15 Engrossment)

Bill Subtitle: TO AMEND THE LAW CONCERNING COMPENSATION AND BENEFITS OF STATE EMPLOYEES; AND TO ALLOW A STATE EMPLOYEE TO CONTRIBUTE TO CERTAIN COLLEGE SAVINGS PLANS WITH A VOLUNTARY DEDUCTION FROM HIS OR HER PAY.

Basic Change : Sponsor: Rep. Sabin

Amendment No.1 to HB1902 will allow state employees to contribute to certain college savings plans with a voluntary deduction from his or her pay. Any sum deferred under the new subchapter will not be subject to income tax until a distribution is made to the state employee or a beneficiary from the tuition savings program. The bill is effective January 1, 2016.

Amendment No.2 removes the administration and authority under the direction of the Executive Director of the Employee Benefits Division of the Department of Finance and Administration.

Revenue Impact :

None

Taxpayer Impact :

State employees will be allowed to defer income to the Tuition college savings program through payroll contributions. Distributions from the savings programs will be subject to taxation by the recipient at the time of distribution.

Resources Required :

Employee Benefits Division and payroll departments will need to update/create computer programs, forms, and instructions for the program.

Time Required :

Adequate time is provided.

Procedural Changes :

State employees and appropriate staff will need to be informed and trained for the new program.

Other Comments :

None

Legal Analysis :

Amendment 2 to HB1902 removes DFA from administering the tuition savings program for all state employees. The program will now be independently administered by each individual agency. This amendment adds language that the state employee will designate the amount withheld and that each agency deposit the money into the employee's tuition savings program. DFA would need to create policies and procedures to implement the program for DFA employees.