

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1762

Amendment Number: H2

Bill Subtitle: TO ALLOW AN EMPLOYER TO MAKE A MATCHING CONTRIBUTION TO AN EMPLOYEE'S TAX-DEFERRED TUITION SAVINGS PROGRAM AS AN EMPLOYEE BENEFIT.

Basic Change :

Sponsor: Representative Brown

HB1762, as amended by H-2. Basic change in this amendment is to clarify that the taxpayer's "employee" is the person any limits and qualifications are intended.

HB1762, as amended by H-1, allows employers to make matching contributions to an employee's Tuition Savings Account of up to \$500 per year as an employee fringe benefit for tax years beginning on and after January 1, 2017.

Revenue Impact :

None.

Taxpayer Impact :

Additional benefit for employees whose employers choose to make a matching contribution to the accounts.

- Employers will be able to deduct up to \$500 of matching contributions to a 529 Tuition Savings account of an employee per year.
- Employees receiving employer matching contributions will be required to report the contributions as taxable income.

Resources Required :

None.

Time Required :

Adequate time is provided to implement this bill.

Procedural Changes :

None.

Other Comments :

Any fringe benefit provided to an employee is taxable income for that person unless the tax law specifically excludes it from taxation. Taxable fringe benefits must be included as income on the employee's W-2.

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Legal Analysis :

HB1762 is amended to add that "taxpayer employee" means an employee of an employer with an account established under this chapter, and "taxpayer employer" means a person that employs an individual with an account established under this chapter. The bill eliminates the term "taxpayer," and replaces it with the term "taxpayer employee." The term "taxpayer's" is eliminated and replaced with the term "taxpayer employee's."

The bill adds language that deductible contributions by a taxpayer employee shall not exceed five thousand dollars (\$5000) in any tax year, and a taxpayer employer's matching contribution may not exceed five hundred dollars (\$500) per contributing employee per year.

The bill further adds that recaptured contributions of any nonqualified withdrawal or rollover shall be taxable to the individual who made the nonqualified withdrawal or rollover.