

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1075

Bill Subtitle: TO AMEND THE ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM ACT; AND TO PROVIDE FOR AN INCOME TAX DEDUCTION FOR CONTRIBUTIONS TO A DISABILITY SAVINGS ACCOUNT.

Basic Change :

Sponsor: Rep. J. Mayberry

HB1075 would amend the Achieving A Better Life Experience (ABLE) Program to provide an income tax deduction for contributions to a disability savings account. Deductible contributions up to \$5,000 per taxpayer in a tax year will be allowed. A contribution that has been deducted from a taxpayer's income for a prior year is subject to recapture. This bill is effective for tax years beginning on or after January 1, 2019.

Revenue Impact :

FY2020 - \$10,000 Reduction in State General Revenues

Taxpayer Impact :

Taxpayers will be allowed to contribute to tax free savings accounts for individuals with disabilities and deduct these contributions up to \$5,000 annually from their adjusted gross income.

Resources Required :

Update computer programs, tax forms, and instructions.

Time Required :

Adequate time is provided.

Procedural Changes :

Computer programs, forms and instructions will need to be updated. Department employees will need to be educated as well as the tax community.

Other Comments :

Revenue estimate was based on estimating 45 disability savings accounts with contributions of \$5,000 per year. Tax on the \$250,000 would be approximately \$10,000.

Legal Analysis :

HB1075 creates a new income tax deduction for contributions made to a disability savings account ("ABLE" account) established under the Arkansas Achieving a Better Life Experience Program, § 20-3-101 et seq. The deduction is limited to \$5,000 per taxpayer per year. Deductions may be subject to recapture if the taxpayer subsequently makes a non-qualified withdrawal from the ABLE account or makes a disallowed rollover of ABLE account funds.