

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-FIFTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 21, 2016

BILL NUMBER: SB 1005 STATUS AND DATE OF BILL: Engrossed Bill 3/7/16

AUTHORS: House Echols Senate Crain & Mazzei

TAX TYPE (S): Income Tax SUBJECT: Other

PROPOSAL: Amendatory and New Law

SB 1005 proposes to enact *the Oklahoma Achieving a Better Life Experience (ABLE) Savings Plan Act*.

EFFECTIVE DATE: January 1, 2017

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 17: -0-

FY 18: Minimal decrease to income tax collections

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 17: -0-

Mar. 21, 2016
DATE

Rick Miller
DIVISION DIRECTOR

mck

3-21-16
DATE

Reece Womack
REECE WOMACK, ECONOMIST

3/28/16
DATE

Don Carr
FOR THE COMMISSION

SB 1005 proposes to enact *the Oklahoma Achieving a Better Life Experience (ABLE) Savings Plan Act*.

Sections 1 through 7 of this measure sets the parameters and requirements to establish Achieving a Better Life Experience (ABLE) accounts as authorized under Achieving a Better Life Experience Program as provided under the Tax Increase Prevention Act of 2014, Pub. L. No. 113-295 and are not Tax Commission related.

"An 'ABLE account' is an account established by an 'eligible individual', owned by such eligible individual, and maintained under a 'qualified ABLE program'.

An eligible individual, also referred to as the designated beneficiary and owner of the account, meets the requirements if, during the taxable year, the individual is entitled to Social Security benefits based on blindness or disability, and such blindness or disability occurred before the date on which the individual attained age 26.

Alternatively, the eligible individual, or the parent or guardian of the individual, may file a disability certification, which is a signed statement by a physician acknowledging that: the individual has a medically determinable physical or mental impairment that causes severe functional limitations that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, or is blind and such blindness or disability occurred before the individual attained age 26.

A qualified ABLE program is established and maintained by the state in which the eligible individual resides, or another state if the state has a contract with the eligible individual's resident state.

Although the state can choose whether to start an ABLE program and may establish its own investment limits, the state must operate its program under federal guidelines. These guidelines include: a \$14,000 annual limit on non-deductible cash contributions from all contributors to the account; restrictions on excess contributions; one account per eligible individual; separate accounting for each eligible individual's account; and limiting investment changes by the account holder to twice per year".¹

Generally, qualified distributions from disability savings accounts established under this measure will be exempt from Oklahoma income tax with respect to the designated beneficiary's income. Nonqualified distributions from a disability savings account established under this measure are subject to Oklahoma income tax to the party, account owner or designated beneficiary who actually makes the withdrawal. Earnings on a contribution that are included in a refund are subject to Oklahoma income tax if an account owner receives a refund of contributions to a disability savings account established under the Program because of either: the death or disability of the designated beneficiary or a scholarship, allowance or payment described in 26 U.S.C., Section 135(d)(1)(B) or (d)(1)(C) as in effect on January 1, 2014, received by the designated beneficiary.

A minimal decrease to income tax collections are anticipated for FY 18 as a result of this measure.

¹ *ABLE Accounts: An Option for Families with Disabled Children* - by Randy Gardner, J.D., LL.M., CFP®, CPA; and Leslie Daff, J.D. The Financial Planning Association <https://www.onefpa.org/journal/pages/feb15-able-accounts-an-option-for-families-with-disabled-children.aspx>