



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Amy L. Archer

Am. S.B. 5*

132nd General Assembly
(As Reported by S. Finance)

Sens. Hottinger and Eklund, Gardner, LaRose

BILL SUMMARY

- Increases the maximum income tax deduction allowed for contributions to a federally tax-advantaged college savings plan or disability expense account from \$2,000 to \$4,000 per year for each beneficiary.
 - Establishes the Joint Committee on Ohio College Affordability to study and develop strategies to reduce the cost of attending college in the state.
 - Declares an emergency.
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CONTENT AND OPERATION

College savings and disability account deduction

The bill increases the maximum personal income tax deduction allowed for contributions to a federally tax-advantaged college savings plan or disability savings account.

Under continuing law, two tax-preferred college savings programs are authorized allowing individuals to purchase tuition units or make contributions to an investment account to pay for future college expenses.¹ Ohio's plans are administered by the Ohio Tuition Trust Authority.² Both plans are designed to receive favorable tax

* This analysis was prepared before the report of the Senate Finance Committee appeared in the Senate Journal. Note that the sponsors and legislative history may be incomplete.

¹ Ohio's program authorizing the purchase of tuition credits or units has been closed to new enrollments since 2003. Ohio Administrative Code (O.A.C.) 3334-1-01.

² R.C. Chapter 3334., not in the bill.

treatment under section 529 of Internal Revenue Code and so are referred to as "529 plans." Earnings in 529 plans are not subject to federal and state income tax, and distributions from 529 plans are exempt to the extent used to pay qualified higher education expenses of the plan beneficiary.

Similarly, continuing law authorizes a program under which a disabled individual or the individual's guardian or trustee may open an account with the Treasurer of State that is endowed with certain federal income tax and means-tested public assistance advantages. These accounts are referred to as "Achieve a Better Living Experience" (ABLE) savings accounts.³ Similar to 529 plans, earnings in ABLE accounts are not subject to federal and state income tax, and distributions from the accounts to the beneficiary are exempt to the extent the money is used to pay the beneficiary's qualified disability expenses.⁴

Continuing law allows a state income tax deduction for contributions to a 529 plan or ABLE account opened under Ohio's program to the extent such contributions are included in the contributor's federal adjusted gross income. Each deduction is limited to \$2,000 per beneficiary per year for the taxpayer or the taxpayer and the taxpayer's spouse, regardless of whether the taxpayer and spouse file separate returns or a joint return.⁵ The bill increases this annual limit to \$4,000 for both deductions.⁶

As under current law, the bill allows a taxpayer to carry forward any excess deduction amount to future years until the amount of the contributions has been fully deducted. The bill's increased deduction first applies to taxable years ending on or after the date the bill becomes effective.⁷

Joint Committee on Ohio College Affordability

The bill creates the Joint Committee on Ohio College Affordability. The Committee is charged with studying and developing strategies to reduce the cost of attending college in Ohio. In doing so, the Committee must consult with the Chancellor of Higher Education and representatives of colleges and universities.

³ R.C. 113.50 to 113.56, not in the bill.

⁴ 26 United States Code (U.S.C.) 529A.

⁵ R.C. 5747.70; R.C. 5747.78, not in the bill.

⁶ R.C. 5747.70. The increase in the ABLE account deduction results from continuing law setting the maximum amount of deductible ABLE account contributions at the "annual contribution limit" of the 529 plan deduction. See R.C. 5747.78.

⁷ Section 4.



The Committee must hold its first meeting within 60 days after the bill's effective date and meet at the members' discretion thereafter. Within one year after the bill's effective date the Committee must submit a report on its findings and recommendations to the Governor and General Assembly. The Committee ceases to exist after submitting the report.

Membership

The Committee consists of ten members, five of whom must be members of the Senate and five of whom must be members of House of Representatives. No more than three members from each chamber may be members of the same political party. The President of the Senate and Speaker of the House of Representatives must appoint the members from their respective chambers within 30 days after the bill's effective date.⁸

Emergency clause

The bill declares an emergency, causing the bill to become effective immediately and exempting it from the referendum.⁹

HISTORY

ACTION	DATE
Introduced	01-31-17
Reported, S. Finance	---

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⁸ Section 3.

⁹ Section 5.

