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H.B. 125
135th General Assembly

Bill Analysis

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Version: As Reported by House Ways and Means

Primary Sponsors: Reps. Mathews and Santucci

Zachary P. Bowerman, Attorney

SUMMARY

- Increases the income tax deduction limit for contributions to a 529 college savings plan or ABLE disability savings account for joint filers from \$4,000 – the same limit as single filers – to \$8,000.
- Indexes the amount of both limits so that they increase in proportion to the increase in inflation.

DETAILED ANALYSIS

Income tax deduction for 529 plans and ABLE accounts

Under continuing law, an Ohio income tax deduction is available for taxpayers who make contributions to any 529 college savings plan or an Ohio ABLE disability savings account. A 529 plan is a tax-advantaged investment account sponsored by a state or state agency that can be used to pay for qualified education expenses for a designated beneficiary, including costs for books, supplies, and tuition for college, K-12, and apprenticeship programs. Earnings are not subject to federal and state income tax when used for such qualified education expenses. The beneficiary can be the account holder or another person.¹ ABLE accounts, named for the federal Achieving a Better Life Experience Act of 2014, are similar savings accounts administered by the states which can help designated beneficiaries pay for qualified disability expenses. In Ohio, they are referred to as STABLE accounts. Contributions to ABLE accounts administered by other states do not qualify for the deduction.²

¹ See the Learn page on Ohio's 529 College Advantage website: collegeadvantage.com/learn.

² See the About Us page on Ohio's STABLE account website: stableaccount.com/about-us.

The value of the deduction equals the amount of contributions made in the preceding year except that, under current law, the annual deduction is limited to \$4,000 per account contributed to for all taxpayers, whether filing a single or joint return. Any contributions to a single account in excess of the limit may be carried forward until they are fully deducted. The bill raises the deduction limit for joint filers to \$8,000 for taxable years beginning in or after 2023.

The bill also indexes these contribution limits for inflation, based on increases in the prices of all goods and services composing the national gross domestic product (GDP), beginning in tax year 2024. The adjustments are made by multiplying the current year's limitation amount by the percentage increase in the GDP deflator over the preceding year, adding that result to the current limitation amount, and rounding the result to the nearest \$50. An adjustment would not be made for any year the GDP deflator does not increase.³

HISTORY

Action	Date
Introduced	03-21-23
Reported, H. Ways & Means	06-07-23

ANHB0125RH-135/ks

³ R.C. 5747.70 (529 plans) and 5747.78 (ABLE accounts).