

STATEMENT OF PURPOSE

RS27736 / H0551

This legislation reduces redundancies, clarifies definitions, recognizes the securities disclosure statement or offering document as the official terms of the Program and brings Idaho law up-to-date with the uniform requirements for state college savings programs under federal law. The changes benefit Idaho families. Specifically: Removing the requirement for administrative rules reduces redundancies. The Program's securities disclosure statement is the securities offering document containing all Program rules and requirements. This document serves as the contract between the individual account owner and the Program. As required by the securities laws, the disclosure statement is kept current with any changes to the Program. Coordinating the definitions in Idaho law with federal tax changes allows Idaho families to benefit from those changes. For example, Idahoans have missed out on tax exempt withdrawals in the situation where a student attends a U.S. military academy and tax exempt recontributions of a refund from an eligible education institution within 60 days of the refund. Instances where state and federal code differ on a topic causes confusion and ultimately a negative tax consequence for the Idaho account owner.

FISCAL NOTE

The fiscal impact of this legislation is limited to treating military academy attendance congruent with the exemptions for scholarships. There are no fiscal impacts for the other changes. Currently, federal law allows for withdrawal of funds equal to the amount of a scholarship or cost of attendance that is waived by the institution or academy. The Federal 10% penalty is waived and taxes are due on the growth portion of the investment only. Idaho law does not recognize this type of withdrawal as qualified and therefore the withdrawal is subject to state taxes on the entire amount. The fiscal impact would be the difference between taxing the entire withdrawal versus taxing the growth portion of the withdrawal. It is estimated that the fiscal impact could be between \$943 and \$2,452 per year.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).