

LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

ASSEMBLY, No. 2043
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: MAY 24, 2022

SUMMARY

Synopsis: “New Jersey Disability Savings Act.”
Type of Impact: Annual State expenditure increase and revenue loss.
Agencies Affected: Department of Human Services.
Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2023 and Each FY Thereafter</u>
State Cost Increase	Up to \$675,000 annually
State Revenue Loss	\$230,000 to \$400,000 annually

- The Office of Legislative Services (OLS) finds that the bill will increase State expenditures by up to \$675,000 annually as well as reduce State revenues by approximately \$230,000 to \$400,000 annually. The State expenditure increase is derived from matching funds being provided under certain conditions to qualifying State ABLE accounts, subject to the availability of appropriations. This expenditure increase may decline as the program matures. The State revenue loss is attributable to a gross income tax deduction provided to taxpayers for the full amount of contributions by the taxpayer to qualifying ABLE accounts.

BILL DESCRIPTION

This bill expands the New Jersey Achieving a Better Life Experience (ABLE) Program to incentivize qualified individuals with disabilities and their families to save for disability-related expenses in tax-advantaged savings accounts, known as ABLE accounts.

All contributions to a qualifying New Jersey ABLE account would be deductible on a New Jersey gross income tax return. The bill additionally incentivizes taxpayer savings in New Jersey ABLE accounts by providing up to \$750 in dollar-for-dollar matching funds for taxpayers whose annual gross income equals \$150,000 or less, and who deposit funds into a newly opened ABLE account.

The bill authorizes the Department of Human Services to select a methodology for allocating these incentive funds in years in which State appropriations for these incentive payments are insufficient to fulfill the provisions of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will increase State expenditures by up to \$675,000 annually as well as reduce State revenues by approximately \$230,000 to \$400,000 annually. The State expenditure increase is derived from matching funds being provided under certain conditions to qualifying State ABLE accounts, subject to the availability of appropriations. The State revenue loss is attributable to a gross income tax deduction provided to taxpayers for the full amount of contributions by the taxpayer to qualifying ABLE accounts.

Pursuant to the bill, the State would provide matching funds for newly opened ABLE accounts up to \$750. The Department of Human Services may adjust the matching funds if sufficient funding is not appropriated. According to data published by ISS Market Intelligence¹, there were 69,254 ABLE accounts nationwide with \$469 million in assets as of June 2020. That amount increased to 100,874 accounts with \$878 million in assets by June 2021. The U.S. Social Security Administration also published an article in December 2020 that stated over 75,000 people across the country had opened an ABLE account and maintained an average balance of \$6,000.

If the number of newly opened ABLE accounts across the United States continue to increase by roughly 32,000 annually, then New Jersey would account for approximately 900 new accounts based on population. If all 900 accounts receive maximum matching funds of \$750 pursuant to the bill, then the cost increase to the State would be about \$675,000 annually. Because the ABLE program is relatively new and is being implemented at different times in different states, this high growth rate may not be sustained over the long term. As more of the target population establishes ABLE accounts, there will be fewer individuals who will be able to newly establish an account. Thus, this annual cost increase may fall over time.

The bill also allows for any taxpayer who contributes to an ABLE account to deduct the full amount contributed from their gross income when calculating their gross income tax liability. If contributions increase similar to how total assets in ABLE accounts increased from June 2020 to June 2021 for all ABLE accounts, then New Jersey would account for roughly \$11.5 million in newly deductible contributions annually. Assuming an effective tax rate of two percent and 3.5 percent, the \$11.5 million in deductible contributions would yield a State revenue loss of roughly \$230,000 to \$400,000 annually.

¹ <https://www.529conference.com/2q-2021-529-and-able-market-sizing-highlights/>

Section: Revenue, Finance and Appropriations

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).