

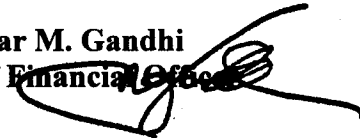
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: OCT -9 2007

SUBJECT: Fiscal Impact Statement: "College Savings Program Increased Tax Benefit Act of 2007"

REFERENCE: Bill Number 17-235 as Introduced

Conclusion

Funds are not sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. The proposed legislation would result in a negative fiscal impact on the local General Fund of \$256,000 in FY 2008 and an overall impact of \$1.3 million for FY 2008 through FY 2011.

Background

The proposed legislation would amend D.C. Official Code § 47-4509 to increase the maximum allowable income tax deduction from contributions to the District of Columbia College Savings Program ("Program") from \$3,000 to \$4,000 per year. The proposed legislation would thus allow a Program account holder who files an income tax return in the District to deduct an additional \$1,000 from income tax liability.

Financial Plan Impact

Funds are not sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. The proposed legislation would result in a negative fiscal impact on the local General Fund of \$256,000 in FY 2008 and an overall impact of \$1.3 million for FY 2008

through FY 2011. The negative fiscal impact results from a reduction in taxable income that would result from the increased allowable deduction from District income tax liability.¹

Estimated Impact to the Financial Plan of the College Savings Program Increased Tax Benefit Act of 2007 (S in 000s)					
Item	FY 2008	FY 2009	FY 2010	FY 2011	4 - Year Total
Reduced Revenue Collections	\$256	\$299	\$348	\$405	\$1,308

¹ The average growth rate in the number of account holders contributing the maximum in Tax Years 2005 and 2006 was used to estimate the growth in the number of contributors in FY 2008 through FY 2011.