



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 7, 2015

S. 335

A bill to amend the Internal Revenue Code of 1986 to improve 529 plans

As ordered reported by the Senate Committee on Finance on April 29, 2015

S. 335 would modify the tax treatment of college savings plans authorized under section 529 of the Internal Revenue Code. Under current law, income earned on amounts in those accounts accumulates on a tax-free basis, and the distribution of such income is not included in the taxable income of the recipient to the extent that it is used to pay certain higher education expenses. S. 335 would expand the qualifying expenses to include certain computer and related expenses. The bill would also modify the computation of the taxable portion of a distribution when the contributor has established multiple accounts for the student. In addition, S. 335 would allow beneficiaries to pay no tax in the event that they receive a refund from the educational institution (for example, after withdrawing from enrollment) and contribute the refunded amount back to the savings plan within 60 days.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting S. 335 would reduce revenues, thus increasing federal deficits, by \$51 million over the 2015-2025 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending and revenues. Enacting S. 335 would result in revenue losses in each year beginning in 2015. The estimated increases in the deficit are shown in the following table.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

On February 19, 2015, CBO transmitted a cost estimate of the budgetary effects of H.R. 529, as ordered reported by the House Committee on Ways and Means on February 12, 2015. The language of S. 335 is identical to that of H.R. 529, and therefore the estimated budgetary effects are also the same.

The CBO staff contact for this estimate is Logan Timmerhoff. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.

CBO Estimate of Pay-As-You-Go Effects for S. 335, as ordered reported by the Senate Committee on Finance on April 29, 2015

By Fiscal Year, in Millions of Dollars

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	1	2	2	3	3	4	5	6	7	8	10	15	51

Source: Staff of the Joint Committee on Taxation.
