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S.B. 33
134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Hottinger and Brenner

Mackenzie Damon, Attorney

SUMMARY

- Expands the income tax deduction allowed for contributions to Ohio's 529 education savings program to include contributions to 529 programs established by other states.

DETAILED ANALYSIS

Education savings plan income tax deduction

Federal law authorizes states and educational institutions to operate tax-preferred education savings programs, known as "qualified tuition programs" or "529 plans." The state of Ohio currently offers such a plan, under which individuals may contribute to an investment account to pay for future post-secondary college or university expenses, as well as expenses for primary and secondary school education. Ohio's plan is administered by the Ohio Tuition Trust Authority.¹ Earnings from 529 plans are exempt from federal income tax and the Ohio income tax to the extent the earnings are used to pay the qualified education expenses of the plan beneficiary.

Continuing Ohio law allows a state income tax deduction for contributions to Ohio's 529 plan. The bill extends the deduction so that it would apply as well to contributions to any 529 plan established by another state or by an educational institution. As under current law, the deduction would be limited to \$4,000 per beneficiary per year for the taxpayer or the taxpayer and the taxpayer's spouse, regardless of whether the taxpayer and spouse file

¹ R.C. Chapter 3334. Ohio law also offers a separate college savings program that qualifies as a 529 plan, under which individuals may purchase "tuition units." However, this plan has been closed to new purchases since December 31, 2003.

separate returns or a joint return; annual contributions in excess of \$4,000 per beneficiary may be deducted in ensuing years, subject to the annual \$4,000 limit.

The extended deduction applies to taxable years beginning in 2021 or thereafter.²

HISTORY

Action	Date
Introduced	02-02-21

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² R.C. 5747.70, 5747.01(A)(10), and 5747.10; Section 3.