

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: SB452

Patron: Jordan

Bill Title: Commonwealth Savers Plan; ImABLE accounts established; tax treatment.

Bill Summary: Provides a process whereby eligible individuals, defined in the bill, may establish ImABLE savings accounts, defined in the bill, with the Commonwealth Savers Plan. Payments and contributions, up to limits defined in the bill, to such accounts are made on an after-tax basis, distributions are generally exempt from income taxes, collections, and withdrawal penalties, and such accounts shall not be used as a factor in employment classifications. The bill authorizes the Commonwealth Savers Plan to adopt emergency regulations to implement the provisions of the bill. The bill also establishes the Virginia ImABLE Fund and Grant Program to award competitive grants to businesses, nonprofit organizations, and localities for projects that assist eligible individuals with support expenses, as defined in the bill.

Budget Amendment Necessary: Yes

Items Impacted: Item 481, Item 482

Explanation: The Commonwealth Savers Plan (CSP) indicates indeterminate costs to implement and administer the ImABLE account platform.

Fiscal Summary: The Commonwealth Savers Plan (CSP) indicates the cost for administrative overhead is indeterminate but significant and may require a budget amendment in the future.

Fiscal Analysis:

Commonwealth Savers Plan

CSP indicates the fiscal impact of implementation would be complex and result in significant administrative costs, inclusive of program administration, customer service, financial operations, investment management, marketing, legal and compliance functions, and technology infrastructure. These administrative costs are currently indeterminate. Additional costs would be incurred for federal and state tax reporting, a JLARC evaluation estimated at \$100,000 every five years, and an indeterminate level of expenses associated with grant program administration. A budget amendment would be needed in the future to address these indeterminate costs.

Department of Taxation

The Department of Taxation considers implementation of this bill as routine and does not require additional funding. This legislation does not require significant changes to the Department's systems and is not impacted by the first phase of the Integrated Revenue Management System (IRMS) replacement project. No resource constraints or implementation considerations are anticipated.

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This bill would have an unknown negative General Fund revenue impact beginning in FY2027. This bill would allow a Virginia income tax exemption for income on investments in an ImABLE account. This bill would also allow an income tax subtraction and estate tax exemption on disbursements from ImABLE accounts. It is unknown how many taxpayers will establish ImABLE accounts and how much investment income would be made from investment in ImABLE accounts.

Other:

The Commonwealth Savers Plan provided the following input on this bill:

CSP currently has statutory authority to create and administer Achieving a Better Life Experience (ABLE) programs authorized under Section 529A of the Internal Revenue Code (IRC) and has sponsored the ABLENow and ABLEAmerica programs for years. The proposed legislation appears to overlap or potentially conflict with these existing programs and, although the proposed ImABLE accounts share some characteristics of federally authorized 529A accounts, they do not appear to qualify for IRC Section 529A treatment. Additionally, certain elements of the proposed program appear to be duplicative of CSP's existing ABLE programs and could cause considerable confusion among existing and potential customers.

Challenges to implementation include the absence of a decentralized banking structure, as all contributions and disbursements would be required to flow through the State Treasury. This does not align with current CSP savings programs, which follow the guidance in Code of Virginia § 23.1-701 (B) and (C) which permit the use of separate bank accounts for processing receipts and disbursements of the program.

The bill establishes a savings program rather than a defined benefit plan, yet key elements remain undefined. Although it authorizes individual accounts and contributions for future withdrawals, it also creates a grant program without specifying a funding source or operational details for the proposed grant program, including who might benefit from such grants and how they would be administered.