



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2005 Assembly Bill 111

Assembly Amendment 1

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Under **current law**, certain contributions to an EdVest I college tuition and expenses account or EdVest II college savings account are deductible for state income tax purposes.

A deduction may be claimed for a contribution to an account if the beneficiary of the account is one of the following:

1. The claimant.
2. The claimant's child, if the child is the claimant's dependent who is claimed under s. 151 (c) of the Internal Revenue Code.
3. The claimant's grandchild, great-grandchild, niece, or nephew.

The total amount that may be deducted annually by a contributor to one or more EdVest I or II accounts, on behalf of a single beneficiary, may not exceed the following limits:

1. Married, filing jointly: \$3,000 total per married couple.
2. Married, filing separately: \$3,000 per claimant (\$6,000 total per married couple).
3. Divorced or legally separated: \$3,000 per claimant (\$3,000 total per legally separated or divorced couple). When parents are divorced or legally separated, only one parent may claim the child as a dependent for tax purposes in a given year. Under current law, a legally separated or divorced parent may claim a deduction for a contribution to their child's EdVest account or accounts only if they have the child listed as a dependent for tax purposes that year.

Assembly Bill 111 makes the following changes to current law:

1. *Eliminates the requirement that a child be a dependent for a parent to claim an EdVest deduction.*

The bill provides that a parent may claim a deduction for EdVest contributions they make to their child's EdVest account or accounts regardless of whether the child is the parent's dependent who is claimed under s. 151 (c) of the Internal Revenue Code.

The purpose of this change is to enable divorced or legally separated parents to each deduct up to \$3,000 per year for contributions to their child's EdVest account or accounts, for a total deduction of \$6,000 per legally separated or divorced couple.

This change would also enable any parent to claim a deduction for contributions made to their child's EdVest account regardless of whether the child is the parent's dependent. For example, a deduction could be made for a contribution to the account of an adult child who is financially independent of his or her parents.

2. *Reduces the amount that may be deducted by married claimants filing separately.*

The bill reduces the amount that may be deducted, per beneficiary, by a married claimant filing separately from \$3,000 to \$1,500. Thus the total deduction that can be claimed on behalf of a single beneficiary, by a married couple when each spouse files separately is \$3,000, rather than \$6,000, as under current law.

Assembly Amendment 1 deletes the provision in the bill described under 2., above. Under the amendment, the amount which may be deducted by a married claimant filing separately, on behalf of a single beneficiary, is \$3,000 per claimant, for a total of \$6,000 per married couple, as under current law.

Legislative History

On March 22, 2005, the Assembly Committee on Colleges and Universities recommended adoption of Assembly Amendment 1, and passage of the bill as amended, on votes of Ayes, 11; Noes, 0.

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