



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2005 Assembly Bill 297

**Assembly
Amendments 1 and 2**

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Contact: Mary Matthias, Senior Staff Attorney (266-0932)

2005 Assembly Bill 297 creates an income and franchise tax credit that may be claimed by a business that pays tuition for an individual enrolled in a degree-granting program to attend any of the following:

- A University of Wisconsin institution;
- A private four-year college or university in Wisconsin;
- A Wisconsin technical college system institution; or
- A proprietary school approved by the Educational Approval Board if the delivery of education occurs in Wisconsin.

A “degree-granting program” is any program for which an associate, bachelor’s, or graduate degree is awarded upon successful completion.

The credit is equal to 50% of the amount of tuition paid by a business in a taxable year for any individual whose income is greater than 185% of the federal poverty line, and 75% of the amount of tuition paid for any individual whose income is 185% of the federal poverty line or less.

Sole proprietorships, corporations, and insurers may claim the credit. Partnerships, limited liability companies, and tax-option corporations compute the credit but pass it on to the partners, members, and shareholders in proportion to their ownership interests. If the credit claimed by a business exceeds the business’s tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

Credit may not be claimed for tuition paid for a family member of a claimant or for a family member of a managing employee of a claimant unless all of the following apply:

- The family member was employed as an employee of the claimant or the claimant's business an average of at least 20 hours per week during the one-year period prior to beginning participation in the education program.
- The family member is enrolled in a degree-granting program that is substantially related to the claimant's business.
- The family member is making satisfactory progress towards completing the degree-granting program.

Under the bill, the tax credit first applies to taxable years beginning in January 1, 2006.

Assembly Amendment 1 delays implementation of the tax credit by one and a half years. Under the amendment, the tax credit first applies to taxable years beginning on July 1, 2007.

Assembly Amendment 2 provides that a business may receive the credit described above for amounts paid directly to an individual as reimbursement for tuition that the individual paid or incurred.

Legislative History

Assembly Amendment 1 was offered on November 30, 2005 by the Joint Finance Committee, which voted to recommend adoption of the amendment on a vote of Ayes, 14; Noes, 1.

Assembly Amendment 2 was offered on January 24, 2006 by Representatives Jensen and Shilling.

Assembly Amendments 1 and 2 were adopted by the Assembly on a voice vote on January 24, 2006.

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