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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Job Creation, Economic Development and Consumer Affairs (SC-JCEDCA)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Senate

Record of Committee Proceedings

Committee on Job Creation, Economic Development and Consumer Affairs

Senate Bill 351

Relating to: creating nonrefundable individual income tax credits for amounts contributed to a college savings account or a college tuition and expenses program.

By Senators Kanavas, Miller, Darling, A. Lasee, Roessler, Grothman and Stepp; cosponsored by Representatives Kreibich, Pridemore, Suder, Kestell, Zepnick, Gronemus, F. Lasee, Hahn, Parisi, Wood, Moulton, Musser, Grigsby, Ainsworth, Hundertmark, Gard, Nass, Petrowski, Albers, Townsend, Van Roy, Gunderson, Pocan, Hines, Vrakas, Mursau, Ott, Ballweg and Berceau.

September 28, 2005 Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

October 20, 2005 **PUBLIC HEARING HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Absent: (0) None.

Appearances For

- Ted Kanavas, Brookfield — Senator
- Mr. Marty Ollie, Madison — EdVest Program
- Ms. Sherrie Gates-Hendrix, Madison — Department of Revenue

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- None.

Registrations Against

- None.

October 21, 2005 **EXECUTIVE SESSION HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Absent: (0) None.

Moved by Senator Kanavas that **Senate Substitute Amendment 1** be recommended for adoption.

Ayes: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Noes: (0) None.

ADOPTION OF SENATE SUBSTITUTE AMENDMENT 1 RECOMMENDED,
Ayes 5, Noes 0

Moved by Senator Kanavas that **Senate Bill 351** be recommended for passage as amended.

Ayes: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Noes: (0) None.

PASSAGE AS AMENDED RECOMMENDED, Ayes 5, Noes 0

Jeremy Shepherd
Committee Clerk

Record of Committee Proceedings

Joint committee on Finance

Senate Bill 351

SENATE BILL 351 (LRB -3543)

An Act to create 71.07 (6f), 71.07 (6g), 71.10 (4) (cf) and 71.10 (4) (cg) of the statutes; relating to: creating nonrefundable individual income tax credits for amounts contributed to a college savings account or a college tuition and expenses program. (FE)

2005

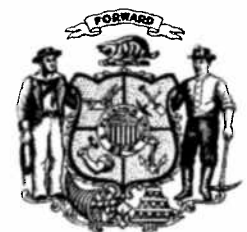
- 09-28. S. Introduced by Senators **Kanavas, Miller, Darling, A. Lasee, Roessler, Grothman and Stepp**; cosponsored by Representatives **Kreibich, Pridemore, Suder, Kestell, Zepnick, Gronemus, F. Lasee, Hahn, Parisi, Wood, Moulton, Musser, Grigsby, Ainsworth, Hundertmark, Gard, Nass, Petrowski, Albers, Townsend, Van Roy, Gunderson, Pocan, Hines, Vrakas, Mursau, Ott, Ballweg and Berceau.**
- 09-28. S. Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs 373
- 10-04. S. Senate substitute amendment 1 offered by Senator Kanavas (**LRB s0235**) 387
- 10-07. S. Fiscal estimate received.
- 10-18. S. Fiscal estimate received.
- 10-20. S. Public hearing held.
- 10-21. S. Executive action taken.
- 10-24. S. Report adoption of Senate Substitute Amendment 1 recommended by committee on Job Creation, Economic Development and Consumer Affairs, Ayes 5, Noes 0 403
- 10-24. S. Report passage as amended recommended by committee on Job Creation, Economic Development and Consumer Affairs, Ayes 5, Noes 0 403
- 10-24. S. Available for scheduling.
- 10-27. S. Referred to joint committee on Finance by committee on Senate Organization pursuant to Senate Rule 41 (1)(e), Ayes 5, Noes 0 412

2006

- 02-15. S. Representative Kreibich withdrawn as a cosponsor 598
- 05-11. S. Failed to pass pursuant to Senate Joint Resolution 1 853



WISCONSIN STATE LEGISLATURE





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Oct 19
2005

Michael L. Morgan
Secretary of Revenue

Senate Job Creation, Economic Development, and Consumer Affairs Committee Hearing,
October 20, 2005

Senate Bill 351 – Individual Income Tax Credit for College Savings and Tuition Amounts (Senator Kanavas)

Description of Current Law and Proposed Change

Wisconsin allows a deduction of \$3,000 from federal adjusted gross income (FAGI) for contributions made to an EdVest account, if the beneficiary is one of the following: the claimant, the claimant's dependent, the claimant's grandchild, the claimant's great-grandchild, or the claimant's niece or nephew.

This bill would create a nonrefundable individual income tax credit for amounts contributed to EdVest. The credit would equal the amount of contributions multiplied by the taxpayer's marginal tax rate. Contributions to EdVest up to \$3,000 would be used to claim an individual income tax credit.

Fairness/Tax Equity

- This bill would allow the credit when the beneficiary is the claimant's child, regardless of whether or not the child is also the claimant's dependent. This provision of the bill will likely impact divorced and legally separated parents who contribute money to an EdVest account for their children, even if that child does not live with them. The number of divorced and legally separated parents who would contribute under this bill is unknown.
- This bill does not repeal the current law deduction. Therefore, it would allow taxpayers to claim both the \$3,000 deduction under current law and the proposed individual income tax credit for the same contributions to an EdVest account.

Administrative Impact/Fiscal Effect

- The bill will add significant complexity for taxpayers by requiring them to calculate their marginal tax rate. Please see the Department's technical memorandum dated October 6, 2005 for more detailed information.
- The revenue loss associated with SB 351 is \$9.2 million. This amount is based on a 20% reduction for those taxpayers who will not likely claim the full amount of the credit. The revenue loss associated with this bill would be significantly higher if the proposed legislation passes as drafted and taxpayers are allowed to claim both the current law deduction and the proposed income tax credit.

- The Department will incur \$26,363 in annual costs for salary and fringe benefits. All other costs will be absorbed.

DOR Position

The Department supports the effort to extend the same tax benefit to non-custodial parents that exists for custodial parents and other relatives. However, due to administrative complexities for the taxpayer, the Department prefers the current law approach that allows for a deduction rather than a credit.

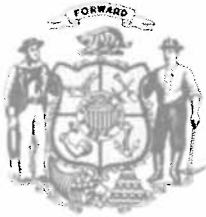
Prepared by: Kirstin Nelson, (608) 261-8984

October 19, 2005

KN:skr

L:\session 05-07\hearings\kn\sb351.doc





TED KANAVAS

STATE SENATOR

Date?

TALKING POINTS ON SB 351

Relating to: Edvest for divorced parents

This bill is currently drafted as a credit, however we are subbing the tax deduction language back into the bill. We did this so it wouldn't be referred to tax exemptions.

- I greatly appreciate the opportunity to submit testimony in support of Senate Bill 351, which, when amended by Senate Substitute Amendment 1 to SB 351, will allow an individual income tax deduction for certain amounts contributed by a divorced or legally separated parent to his or her child's Edvest account.
- At the request of a divorced parent from the 33rd Senate District, Senator Mark Miller, Representative Rob Kriebich, Representative Don Pridemore and I introduced this legislation.
- Currently, in order for a parent to be able to deduct an EdVest contribution from his or her income taxes, their child must be listed as a dependent on their tax forms. Divorced parents, such as my constituent, who are not able to claim their child as a dependent on their tax forms, are therefore not able to claim the Edvest deduction.
- It is arguably unfair to deny a divorced parent a deduction for an EdVest contribution to their child's education when that same child's grandparents, aunts and uncles are permitted the deduction under current law.
- SB 351, as amended, would simply expand the individual income tax deduction for contributions made by parents to an EdVest account when the beneficiary is the claimant's child and dependent to include contributions made by a divorced or legally separated parent to an account when the beneficiary is the claimant's child, and not necessarily the claimant's dependent.
- This same legislation was introduced last session as 2003 Senate Bill 217. SB 217 passed out of the Joint Survey Committee on Tax Exemptions as "good public policy," and passed out of the Senate committee on Homeland Security, Veterans and Military Affairs and Government Reform unanimously. The bill failed to pass before the end of session however.
- Rep. Kriebich's Assembly Committee on Colleges and Universities passed this legislation out of their committee 11-0.
- I would appreciate your support of this bi-partisan, "good public policy" piece of legislation.