



DALE KOOYENGA

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February 8, 2018

TO: Assembly Committee on Ways and Means
FR: Representative Dale Kooyenga
RE: support for Assembly Bill 910 (Senate Bill 764) – conformity to the Internal Revenue Code

Thank you for holding a hearing on this bill.

Assembly Bill 910 (and Senate Bill 764) will conform portions of the Wisconsin tax code with recent changes in the Internal Revenue Code (IRC) through the Federal Tax Cuts and Jobs Act. Conformity between the Wisconsin tax code and IRC reduces compliance costs and minimizes confusion for filers as it relates to tax compliance.

The Legislative Fiscal Bureau, working with the Department of Revenue, will continue to analyze the new federal tax provisions as they relate to state tax law. It is anticipated they will provide a comprehensive review of the impact on Wisconsin tax collections and opportunities to update Wisconsin statutes alongside the cost or benefit of adopting IRC conformity. There will be amendments to this bill as additional analysis of the federal tax provisions become available.

The following changes are included in the bill:

- 529 accounts – recent changes in the 529 plans at the federal level necessitate changes to the Wisconsin tax code. The 529 plan changes are beneficial because they give people more flexibility, allows the money to be used for qualified K-12 expenses and assists in identifying what are qualifying expenses.
- Student loan indebtedness – there are changes to student loan discharges. Under federal tax law, the forgiveness of student loans is not considered taxable income under certain circumstances. The federal tax code changes add additional circumstances that bring favorable changes to student loan discharges resulting from the student's death or permanent and total disability. The bill adopts the federal changes which ensure that these unfortunate life events do not lead to taxable income also under the Wisconsin tax code.
- Tax-exempt charitable organizations – changes regarding YMCAs in Wisconsin. The bill provides clarification to make sure that certain activities are not subject to sales tax putting a burden on an organization that serves our community and has been facing financial challenges.
- IRA – the bill adopts several changes to conform Wisconsin tax code to the IRC regarding IRAs.
- Miscellaneous other provisions that conform the Wisconsin income tax code to the IRC.

Overall this bill simplifies the tax filing process for both individuals and businesses in Wisconsin.

Thank you for your attention to this legislation. I respectfully ask for your support of Assembly Bill 910.

Testimony before the Assembly Committee on Ways And Means

Henry A. Jasper, CPA, MST

February 8, 2018

Good morning Chairman Macco and members of the Committee on Ways and Means.

I appreciate the opportunity to testify this morning in support of Assembly Bill 910 which adopts provisions of the Internal Revenue Code that were adopted as part of the federal Tax Cuts and Jobs Act enacted in December 2017.

My name is Hank Jasper; I am a resident of Fort Atkinson, Wisconsin and am licensed in Wisconsin as a CPA. I have been a partner in a small local CPA firm in Fort Atkinson for the last 19 years and I specialize in taxation. Our firm works with small businesses, their owners and other individuals to provide a full range of accounting and tax services. I also provide consulting services to other CPA firms, and to Kwik Trip, Inc. regarding various tax matters, and litigation support in divorce cases.

I am a native of the Upper Peninsula of Michigan and practiced in Michigan for several years before moving to Wisconsin in 1984.

I have a Master Degree in Taxation, and previously was a manager in the Madison office of McGladrey & Pullen, the 5th largest CPA firm in the U.S., specializing in state and local taxes. I am a member of both the American Institute of CPAs and the Wisconsin Institute of CPAs, and a member of the WICPA Wisconsin Taxation Committee of the WICPA for 33 years.

I am here this morning to share with the Committee my support for Assembly Bill 910.

As I have testified at prior hearings regarding Wisconsin tax policy, the differences between Wisconsin and federal tax laws create significant burdens for Wisconsin taxpayers that require reconciling amounts and tax treatment that require additional time in preparing tax returns, often without any benefit to the taxpayer. It is important to reduce challenges and burdens for Wisconsin residents in the interest of compliance efficiency for taxpayers, as well as for their return preparers and government administrators of tax laws.

In recent years the Wisconsin Legislature has made great strides in adopting many federal tax law changes, and that is greatly appreciated both by tax professionals and Wisconsin taxpayers. The recently enacted

Federal Tax Cuts and Jobs Act, however, has created additional differences that will also require additional compliance time unless Assembly Bill 910 is passed.

My prior testimony, and that of my CPA colleagues, have consistently supported reducing compliance burdens for all Wisconsin taxpayers that result from differences between Wisconsin and federal tax policies. I continue to encourage policies that simplify Wisconsin tax laws and align with federal tax laws and encourage the committee to support Assembly Bill 910.

My contact information appears below if Committee members or others would like to contact me to answer any questions:

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Testimony before the Assembly Committee on Ways And Means

Dennis Tomorsky, CPA, JD, CGMA

WICPA President and CEO

February 8, 2018

Good morning Chairman Macco and members of the Committee on Ways and Means. Thank you for this opportunity to testify this morning to express support on behalf of the Wisconsin Institute of CPAs and its members for Assembly Bill 910 and its Senate companion bill Senate Bill 764, and their provisions to adopt certain provisions of the Internal Revenue Code that apply to individuals and were adopted as part of the federal Tax Cuts and Jobs Act that was enacted in December 2017.

My name is Dennis Tomorsky. I am a resident of New Berlin, Wisconsin and am licensed in Wisconsin as both a CPA and an attorney. I am the President and CEO of the Wisconsin Institute of CPAs, representing the interests of the estimated 12,000 CPAs who are licensed and reside in Wisconsin. Before taking the position of chief staff executive of the WICPA in 2006, I practiced law for 25 years as an employee benefits attorney, including serving as a shareholder of two large Wisconsin law firms. Prior to entering the practice of law in 1981, I practiced as a CPA with two Big-4 international CPA firms, Deloitte and PWC.

The purpose of my testimony is to express support from the WICPA for Assembly Bill 910.

The Wisconsin legislature and Wisconsin residents are fortunate to have two of our CPA members serving in the Assembly and Senate who understand that when Congress made changes to the tax code, those changes would also affect states. When the Federal Tax Cuts and Jobs Act passed, our CPA lawmakers knew we needed to quickly make changes to Wisconsin's tax laws in order to align reflect federal tax changes in a way that would minimize challenges for Wisconsin residents. WICPA members have consistently testified at hearings relating to Wisconsin tax policy by expressing strong support for reducing compliance burdens and minimizing confusion for all Wisconsin filers that result from differences between Wisconsin and federal tax concepts.

While there may be additional future changes to Wisconsin tax policy that will appropriate to consider as the federal government issues regulations under the new federal tax law, we appreciate that

Representative Kooyenga and Senator Marklein understood the need to quickly adjust several provisions based on information that is currently available. We look forward to continuing our work with them to make Wisconsin tax code simpler and easier to administer. And our members welcome any opportunity to share their expertise and the perspective of their many Wisconsin individual and business clients and employers with legislators to help them develop tax policies that will be most beneficial to Wisconsin.

The Wisconsin Institute of CPAs has consistently supported public policy that simplifies Wisconsin tax laws and aligns with federal tax laws as this bill provides. We urge this committee to vote in support of Assembly Bill 910.

Thank you Mr. Chairman and members of the Committee for the opportunity to share the perspective of the Wisconsin Institute of CPAs relating to Assembly Bill 910.

I would be pleased to answer any questions at this time or in the future. My contact information appears below:

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Testimony for Public Hearing
Ways and Means Committee

Assembly Bill 910

Relating to: updating references to the Internal Revenue Code relating to certain individual income tax provisions, limiting the income tax deduction for certain tuition payments, clarifying the duties of the College Savings Program Board, a sales and use tax exemption for title holding entities for certain tax-exempt charitable organizations, and computing depletion for income and franchise tax purposes.

By Representatives Kooyenga, Macco, Katsma, Weatherston, Tittl, Steffen, Spiros, Sanfelippo, Rohrkaste, Neylon, Kulp, Ballweg and Zimmerman; cosponsored by Senators Marklein, Kapenga, Stroebel, Craig and Nass.

February 8, 2018

From: Robbin Thomas Lyons
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thomtalent@aol.com

Chairman Macco, Vice-Chair Katsma, Representative Kerkman, Representative Novak, Representative Steffen, Representative Jacque, Representative Bernier, Representative Petersen, Representative Kulp, Representative Hutton, Representative Zimmerman, Representative Sargent, Representative C. Taylor, Representative Ohnstad, Representative Doyle, Representative Spreitzer, thank you for the opportunity to testify today.

My name is Robbin Thomas Lyons and I reside in Delafield, Wisconsin. I am a parent of three children, two of which have intellectual disabilities. I am also the founding president of Wisconsin Upside Down, a statewide Down syndrome support organization. I have spent the about a decade advocating for the ABLE, Achieving a Better Life Experience Laws in Congress.

Today I would like to discuss the importance of the 529 rollover for families of children with disabilities that are not diagnosed at birth. I am speaking to you as a parent of one of these children.

My husband and I are great parents. When each of our children were born we made sure they had a room all painted and stocked for their arrival. We never missed a well-check, they got all their shots on time, and we made sure that we started a college savings account the month they were born!

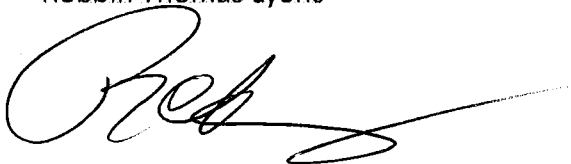
You see, my father died when I was in college and as one of four children in school at that time, we ran out of money. I had to drop out while I worked full time to save to get back in. I had to change my major because I couldn't afford to go to a big university anymore and had to finish at the local branch that did not have classes to fulfill my major. I didn't want to see that happen to my kids.

Fast forward-my son was diagnosed with a developmental disability in first grade and by fifth grade they finally gave us a full diagnosis of autism spectrum disorder. We all worked to get him thru school. He graduated high school and gave college a shot. However, he just did not have enough resources or supports to make it. He struggled to keep up and ultimately failed. But that is ok. College is not for everyone and he was able to get employment. But his \$7 an hour job is not enough to get him out on his own. However-his 529 savings account has a good amount of money in it that could really help him. He wants to use it to get a place of his own and live independently eventually. He wants to make his own way. Unfortunately, if we use it for something other than his education-we get thumped with penalties. He also has need for therapies that we have limited coverage for under our insurance. Having access to his 529 savings would help him pay for his therapy.

I ask the committee to please allow for families like ours to roll our traditional 529 plans into a 529 ABLE account without penalty. As parents we did the right thing saving for our child's future. There was no way to know at birth that our child had a disability. Autism is getting diagnosed at an earlier age now, but still not at birth. Since College tuition is continuing to rise, it is still important for parents to start saving as soon as possible for their children's futures. But for those children who are diagnosed with a disability after parents start saving, there should be a way to roll over traditional 529 accounts into 529 ABLE accounts that can be used for housing, transportation, medical expenses. Congress has agreed and changed the law to accommodate this, now it is your turn to amend the Wisconsin law.

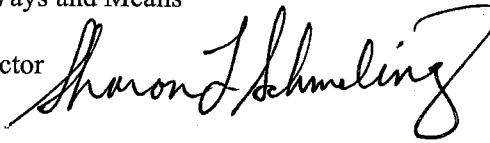
I sincerely appreciate your time and consideration,

Robbin Thomas Lyons

A handwritten signature in black ink, appearing to read 'Robbin Thomas Lyons', with a long, sweeping underline.

TO: Members, Assembly Committee on Ways and Means

FROM: Sharon L. Schmeling, Executive Director



DATE: February 8, 2018

RE: AB 910 — Updating IRS code references to 529 Savings Accounts

The Wisconsin Council of Religious and Independent Schools (WCRIS) represents 600 schools and 100,000 students across the state. We represent every major private school system in Wisconsin – Catholic, Lutheran, Independent Christian and non-sectarian. We are the official state chapter of the Council for American Private Education (CAPE).

We support a strong public school system and are partners with the public sector because the vast majority of our schools are K-8 and our graduates go on to attend public high schools. Wisconsin has one of the largest enrollments of private K-12 school children in the country, with about 12% of students attending a private school.

Religious and independent schools are a critical part of the state's education infrastructure. A Wisconsin Taxpayers Alliance analysis showed that if there were no private K-12 schools, Wisconsin state and local taxes would have to rise more than \$1 billion to pay for the students' education in public schools.

The majority of private schools do not participate in the voucher program and rely on tuition, church support and fundraising to finance their operations. It was no surprise then when, shortly after the federal Tax Cuts and Jobs Act was signed into law December 22, that parents turned to us with questions about how to use 529 Savings Accounts to cover second semester tuition.

Our research quickly showed that Wisconsin's law covering 529s do not include K-12 tuition as an allowable expenditure. That problem would be remedied by AB 910, and we urge you to support the 529 Savings Account provisions in the bill.

As you may know, Congress created 529 plans in 1996 and they have been a popular way for families to save for college – public and private. The 529 plans are truly egalitarian in that a family of any means can access the program – not the just the wealthy and not just the economically disadvantaged.

An estimated \$300 billion is invested in more than 13 million 529 accounts across the country, more than three-quarters of which are owned by working-class and middle-income households (those with incomes below \$150,000), according to #EdTaxCredit50, which led the effort to include K-12 tuition in the new federal law.

Tax laws are complicated enough already. By synchronizing Wisconsin's law on 529 Savings Accounts with the new federal provision, you will be eliminating one more source of confusion and frustration for the beleaguered tax payer.

As you review AB 910, we would also ask you to make the effective date of enactment of the 529 section retroactive to January 1, 2018 to match federal law. Media reports of the 529 provision prompted many parents to make K-12 tuition payments already this year. A January 1 effective date would help avoid a strange and confusing two- to three-month eligibility gap between federal and state law.

We urge your support of the 529 provision in AB 910, and thank you for your consideration.

Archdiocese of Milwaukee

Association of Christian
Schools International

Christian Schools
International

Diocese of Green Bay

Diocese of LaCrosse

Diocese of Madison

Diocese of Superior

Lutheran Church
Missouri Synod
North Wisconsin District

Lutheran Church
Missouri Synod
South Wisconsin District

Wisconsin Association
of Independent Schools

Wisconsin Conference
of Seventh Day Adventists

Wisconsin Evangelical
Lutheran Synod
Northern Wisconsin District

Wisconsin Evangelical
Lutheran Synod
Western Wisconsin District

Wisconsin Evangelical
Lutheran Synod
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