



## 2013 SENATE BILL 111

March 28, 2013 - Introduced by Senator GROTHMAN, cosponsored by Representatives THIESFELDT, NASS, KESTELL, KAHL, KAPENGA, STRACHOTA, BERNIER, PRIDEMORE, JACQUE, KERKMAN and KAUFERT. Referred to Committee on Workforce Development, Forestry, Mining, and Revenue.

1     **AN ACT to create** 71.05 (6) (b) 28. i. and 71.05 (6) (b) 48. of the statutes; **relating**  
2             **to:** creating an individual income tax deduction for certain contributions to a  
3             Coverdell Education Savings Account.

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### *Analysis by the Legislative Reference Bureau*

This bill creates an individual income tax deduction for any amount contributed to a Coverdell Education Savings Account (CESA), in the year in which the contribution is made, subject to the limits and conditions specified in federal law for contributions to a CESA. Currently, the maximum allowable contribution to a CESA is \$2,000 each year per beneficiary, although that contribution amount phases down as a contributor's modified adjusted gross income (MAGI) increases from \$95,000 to \$110,000, or from \$190,000 to \$220,000 for a married couple filing jointly. No contributions are allowed once a contributor's MAGI is above the phase-out range.

Under federal law, contributions to a CESA must be made in cash, are not tax deductible, and may not be made once the beneficiary reaches the age of 18. The accounts themselves are exempt from taxation, and the proceeds of an account must be used for qualified education expenses, as defined under federal law, for a designated beneficiary. Qualified education expenses include certain elementary, secondary, and higher education expenses.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 71.05 (6) (b) 28. i. of the statutes is created to read:

2           71.05 **(6)** (b) 28. i. No modification may be claimed under this subdivision for  
3           an amount paid for tuition expenses and mandatory student fees, as described under  
4           this subdivision, if the source of the payment is an amount withdrawn from a  
5           Coverdell Education Savings Account, as described under 26 USC 530, and for which  
6           a subtraction has been claimed under subd. 48.

7           **SECTION 2.** 71.05 (6) (b) 48. of the statutes is created to read:

8           71.05 **(6)** (b) 48. An amount contributed to a Coverdell Education Savings  
9           Account under 26 USC 530, in the taxable year to which the subtraction relates, up  
10          to the limits and subject to the conditions specified in 26 USC 530 (b) (1) (A) and 26  
11          USC 530 (c).

12          **SECTION 3. Initial applicability.**

13          (1) This act first applies to taxable years beginning on January 1 of the year  
14          in which this subsection takes effect, except that if this subsection takes effect after  
15          July 31 this act first applies to taxable years beginning on January 1 of the year  
16          following the year in which this subsection takes effect.

17   **(END)**