



## 1997 SENATE BILL 4

January 15, 1997 - Introduced by Senators C. POTTER, RISSER and BURKE, cosponsored by Representatives MEYER, BLACK, NOTESTEIN, VANDER LOOP, BAUMGART, BALDWIN and GRONEMUS. Referred to Joint survey committee on Tax Exemptions.

- 1 **AN ACT to create** 71.05 (6) (b) 25. of the statutes; **relating to:** creating an income  
2 tax exemption for certain higher education costs.

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### *Analysis by the Legislative Reference Bureau*

Beginning with taxable year 1998, this bill creates an individual income tax exemption for certain amounts paid by a Wisconsin resident for tuition expenses to attend any college or technical college in this state, or to attend the University of Minnesota under the Minnesota-Wisconsin reciprocity agreement. The maximum amount of the exemption is an amount equal to the maximum resident undergraduate tuition charged by an institution in the University of Wisconsin System. The exemption may be claimed for a maximum of 4 years by claimants who are under the age of 24; there is no time limit for claimants who are 24 years of age or older.

The exemption is phased out as the claimant's federal adjusted gross income increases from \$100,000 to \$120,000, and these dollar amounts are indexed for inflation beginning in taxable year 1999. Under the bill, the amount of an exemption for which a claimant is otherwise eligible is reduced by any amount of tuition gift, grant or scholarship that he or she receives in the year to which the exemption claim relates.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

**SENATE BILL 4**

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) 25. of the statutes is created to read:

2           71.05 **(6)** (b) 25. For taxable years beginning after December 31, 1997, an  
3 amount paid by an individual who is a Wisconsin resident for tuition expenses paid  
4 for the individual to attend any college or technical college in Wisconsin or to attend  
5 the University of Minnesota under the Minnesota-Wisconsin reciprocity agreement  
6 under s. 39.47, up to a maximum amount that is equal to the maximum resident  
7 undergraduate tuition charged by an institution in the University of Wisconsin  
8 System, that is calculated as follows:

9           a. One hundred percent of the amount paid directly by the individual in the  
10 year to which the exemption relates for undergraduate or technical college tuition  
11 expenses, for a period of not more than 4 years if the individual is under the age of  
12 24, or 100% of the amount paid directly by the individual in the year to which the  
13 exemption relates for undergraduate or technical college tuition expenses if the  
14 person is 24 years of age or older.

15           b. From the amount calculated under subd. 25. a., subtract the amount received  
16 by the individual in the year to which the exemption relates for any tuition gifts,  
17 grants or scholarships.

18           c. The amount calculated under subd. 25. b. shall be reduced, according to a  
19 formula developed by the department of revenue such that as the individual's federal  
20 adjusted gross income increases from \$100,000 to \$120,000 in the year to which the  
21 exemption relates, the amount of the exemption that is available under this

**SENATE BILL 4**

1 subdivision is reduced to zero. For taxable years beginning after December 31, 1998,  
2 the federal adjusted gross income dollar amount in this subd. 25. c. shall be increased  
3 each year by a percentage equal to the percentage change between the U.S. consumer  
4 price index for all urban consumers, U.S. city average, for the month of August of the  
5 previous year and the U.S. consumer price index for all urban consumers, U.S. city  
6 average, for the month of August of the year before the previous year, as determined  
7 by the federal department of labor. Each amount that is revised under this  
8 subdivision shall be rounded to the nearest multiple of \$10 if the revised amount is  
9 not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount  
10 shall be increased to the next higher multiple of \$10. The department of revenue  
11 shall annually adjust the changes in dollar amounts required under this subdivision  
12 every year, and incorporate the changes in the income tax forms and instructions.

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**(END)**