

1999 DRAFTING REQUEST

Bill

Received: **10/13/98**

Received By: **shoveme**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget 6-1805**

By/Representing: **Gates-Hendrix**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Tax - individual income**

Extra Copies:

Topic:

DOA:.....Gates-Hendrix - Subtraction for tuition expenses may not be used for itemized deduction credit

Instructions:

See Attached. Amend s. 71.07 (5) to prohibit amounts deducted under the tuition expenses subtraction in s. 71.05 (6) (b) 28 can't be used in calculating the itemized deductions credit

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	shoveme 10/14/98	gilfokm 10/14/98		_____			State
/P1			ismith 10/15/98	_____	lrb_docadmin 10/15/98		State
/P2	shoveme 01/18/99	gilfokm 01/18/99	lpaasch 01/19/99	_____	lrb_docadmin 01/19/99		State
/P3	shoveme 02/2/99	gilfokm 02/2/99		_____			State
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11 MES 2/21/99
 FE Sent For: *km* *km* *km* *km* *km*

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FE Sent For:							
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<i>1/19LP</i> <i>cmh</i> <END>							

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1/?	shoveme	1/11-10-14 <i>[Signature]</i>	^{IS} 10/15	^{JS/UP} 10/15	submit		
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>					

FE Sent For:

<END>

Wisconsin Department of Revenue
IS&E Division
August 18, 1998

Amounts claimed as a subtraction for tuition expenses may not be used for the Itemized Deduction credit.

TITLE: Provide That Amounts Claimed as a Subtraction for Tuition Expense May Not be Used for the Itemized Deduction Credit

DESCRIPTION OF CURRENT LAW AND PROBLEM:

Section 71.05(6)(b)28, as created by 1997 Wisconsin Act 237, provides a subtraction from federal adjusted gross income for tuition expenses to attend a university, college, technical college, or other approved school. Federal law allows a miscellaneous itemized deduction for the cost of education required by your employer or by law to keep your present salary, status, or job or to maintain or improve skills needed in your present job. Amounts claimed as miscellaneous itemized deductions for federal tax purpose are used in the computation of the Wisconsin itemized deduction credit.

The amounts claimed for the Wisconsin subtraction for tuition expenses may also be claimed as a federal itemized deduction when the expenses are job related. Therefore, the taxpayer will receive a double benefit when claiming the deduction for tuition expenses and the Itemized Deduction Credit.

RECOMMENDATION FOR ACTION:

Amend sec. 71.07(5) to provide that amounts claimed as a deduction under sec. 71.05(6)(b)28 may not be used in the computation of the Itemized Deduction Credit.

FISCAL/ADMINISTRATIVE IMPACT:

Unknown, but will increase revenue.

DRAFTING INSTRUCTIONS:

See Recommendation.

EFFECTIVE DATE:

Taxable years beginning on or after January 1, 1999.

PERSON TO CONTACT:

Tom Reid
266-8474

Prepared by: Marcy Stock
August 18, 1998
Subtraction Tuition leg



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0574/P1
MES... King

RMR

DOA:.....Gates-Hendrix - Subtraction for tuition expenses may not be used for itemized deduction credit

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

SOON

1 AN ACT ^{Don't Gen. Cat.} relating to: ^{limiting educational expenses that may be claimed under the itemized deductions credit.}

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

, or deduction,

Current law provides a tuition expenses subtraction from federal adjusted gross income for an amount paid, up to \$3,000 per year per student, for tuition to attend a university, college, technical college or other approved school that is located in this state or that is subject to the Minnesota-Wisconsin reciprocity agreement. The subtraction is phased out at certain income levels. Also under current law, nonresidents and part-year residents of this state may claim a prorated amount of the subtraction based on a fraction, the numerator of which is the individual's wages, income and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, income and net earnings from a trade or business. The subtraction is further limited to the total wages, income and net earnings from a trade or business taxable by this state.

Under federal law, the amounts claimed under the state tuition expenses subtraction may also be claimed as a federal itemized deduction if the expenses are job related. Also under current law, the state itemized deductions credit is a percentage of a number of the federal itemized deductions. Consequently, certain taxpayers will receive a double benefit when claiming the deduction for tuition expenses and the itemized deduction credit.

Under this bill, amounts claimed as a deduction under the tuition expenses subtraction may not be used in calculating the itemized deductions credit.

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

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

1 SECTION 1. 71.07 (5) (a) 7. of the statutes is created to read:

2

71.07 (5) (a) 7. Any employment-related educational expense that is claimed as an itemized deduction under section 67 of the Internal Revenue Code to the extent that such an amount is also claimed as a subtract modification under s. 71.05 (6) (b) 28.

6 SECTION 9343. Initial applicability; revenue.

7 (1) ITEMIZED DEDUCTION CREDIT, EDUCATIONAL EXPENSES. The treatment of section
8 71.07 (5) (a) 7. of the statutes first applies to taxable years beginning on January 1
9 of the year in which this subsection takes effect, except that if this subsection takes
10 effect after July 31, the treatment of section 71.07 (5) (a) 7. of the statutes first applies
11 to taxable years beginning on January 1 of the year following the year in which this
12 subsection takes effect.

13

(END)

Department of Revenue Comments
LRB Draft 0574/P1
Prevent Double Tax Benefit for Certain Tuition Expenses

The following change is needed to the draft:

1. Remove the reference to the section 67 of the Internal Revenue Code (IRC). That section of the IRC doesn't actually authorize the deduction for tuition expenses. Rather, IRC section 67 only imposes a limitation equal to 2% of adjusted gross income for the aggregate total of certain miscellaneous deductions allowed by other IRC sections. The deduction for most educational expenses (including tuition) is provided by IRC section 162. However, because some educational expenses may be deductible under other sections of the IRC, if no section of the IRC should be referenced in sec. 71.07(5)(a)7, as created by this draft. That would make new subdivision 7 similar to existing subdivisions 1, 5, and 6.

Prepared by: Tom Reid
 Staff Specialist
 IS&E Division
 January 12, 1999
 (608) 266-8474

Approved by:

Legal	<u>John Clemons</u>	Date	<u>1/13/99</u>
Research and Analysis	<u>Darin Allen</u>	Date	<u>1/13/99</u>
IS&E	<u>Thomas Reid</u>	Date	<u>1/12/99</u>



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0574/PJ

MES:kmg/jia

PLMNR

DOA:.....Gates-Hendrix - Subtraction for tuition expenses may not be used
for itemized deduction credit

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

do not pass

1 AN ACT ...; relating to: limiting educational expenses that may be claimed under
2 the itemized deductions credit.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Current law provides a tuition expenses subtraction, or deduction, from federal adjusted gross income for an amount paid, up to \$3,000 per year per student, for tuition to attend a university, college, technical college or other approved school that is located in this state or that is subject to the Minnesota-Wisconsin reciprocity agreement. The subtraction is phased out at certain income levels. Also under current law, nonresidents and part-year residents of this state may claim a prorated amount of the subtraction based on a fraction, the numerator of which is the individual's wages, income and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, income and net earnings from a trade or business. The subtraction is further limited to the total wages, income and net earnings from a trade or business taxable by this state.

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taxpayers will receive a double benefit when claiming the deduction for tuition expenses and the itemized deduction credit.

Under this bill, amounts claimed as a deduction under the tuition expenses subtraction may not be used in calculating the itemized deductions credit.

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4 that such an amount is also claimed as a subtract modification under s. 71.05 (6) (b)
5 28.

6 **SECTION 9343. Initial applicability; revenue.**

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9 of the year in which this subsection takes effect, except that if this subsection takes
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12 subsection takes effect.

13

(END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0574/07
MES:kmg:lp

RMR

DOA:.....Gates-Hendrix - Subtraction for tuition expenses may not be used
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FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

- not done*
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(END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0574/1
MES:kmg:km

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