

03/26/2001 10:49:58 AM

Page 1

2001 DRAFTING REQUEST**Bill**Received: **01/25/2001**Received By: **shoveme**Wanted: **As time permits**

Identical to LRB:

For: **Rob Kreibich (608) 266-0660**By/Representing: **Felicia**This file may be shown to any legislator: **NO**Drafter: **shoveme**May Contact: **Mary Mathias; Marty Olee,
Jack Voight**

Addl. Drafters:

Subject: **Tax - individual income
Education - miscellaneous**Extra Copies: **MJL**

Pre Topic:

No specific pre topic given

Topic:

Allow grandparents an individual income tax deduction for Ed Vest contributions

Instructions:

See Attached. Give grandparents the same tax deduction as parents for contributions to an Ed Vest account

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>
/1	shoveme 01/25/2001	jdye 01/30/2001	martykr 02/01/2001	_____	lrb_docadmin 02/01/2001	lrb_docadminState 03/26/2001	

FE Sent For:

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1?	shoveme	1/30 jls	*mz/1	RS sm	2/1		
11 MES 1/25/01							

FF Sent For:

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Bill Request Form

Legislative Reference Bureau
100 N. Hamilton Street
Legal Section 266-3561

Use of this form is optional. It is often better to talk directly with the LRB attorney who will draft the bill.
Use this form only for bill draft requests. Attach more pages if necessary.

Date January 24, 2001

Legislator, agency, or other person requesting this draft Rep. Rob Kreibich

Person submitting request (name and phone number) Felicia Jurvatic, 266-0660

Persons to contact for questions about this draft (names and phone numbers) Mary Matthews, Legislative Council, 266-0932

Describe the problem, including any helpful examples. How do you want to solve the problem?

Currently under Ed Vest, grandparents are not allowed to receive the same tax incentive as parents & guardians. This bill would change that and allow for grandparents to receive same tax benefit

Please attach a copy of any correspondence or other material that may help us. If you know of any statute sections that might be affected, list them or provide a marked-up copy.

You may attach a marked-up copy of any LRB draft or provide its number (e.g., 1999 LRB-2345/1 or 1997 AB-67).

Requests are confidential unless stated otherwise. May we tell others that we are working on this for you? YES NO

If yes: Anyone who asks? YES NO
 Any legislator? YES NO

Only the following persons Mary Matthews, Mary Dlee, Jack Veigh

Do you consider this request urgent? YES NO If yes, please indicate why Another legislator is trying to do the same

Should we give this request priority over any pending request of this legislator, agency, or person? YES NO



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-2254/1

MES...:~:~:~

JLd

2001 BILL

(JLd)

1 AN ACT ...; relating to: allowing an individual income tax deduction for certain
2 amounts contributed by a grandparent to a college savings account or a college
3 tuition and expenses program. ✓

Analysis by the Legislative Reference Bureau

Under current law, there is a college tuition and expenses program under which a contributor may purchase "tuition units" that can be used to pay qualified educational costs on behalf of a beneficiary. The purchase of such units is limited to parents, grandparents, aunts, uncles, legal guardians, trusts created on behalf of a beneficiary, or individuals purchasing units for their own use. Contributions made to an account set up under the program, up to a limit of \$3,000 ✓ each year for each beneficiary, may be deducted from a contributor's income in the calculation of his or her income taxes if the beneficiary of the account either is the claimant or is the claimant's child and the claimant's dependent under the Internal Revenue Code. ✓

Under this bill, an income tax deduction for amounts contributed to such an account may be claimed by a grandparent of the beneficiary, subject to the same limits and conditions that exist under current law.

Also under current law, there ~~also~~ exists a college savings program under which anyone may open an account for a prospective student, regardless of the contributor's relationship to the beneficiary. Individuals may open accounts for themselves, and a prospective student may be the beneficiary of more than one college savings account. Contributions made to an account set up under the program, up to a limit of \$3,000 each year for each beneficiary, may be deducted from a contributor's income

BILL

in the calculation of his or her income taxes if the beneficiary of the account either is the claimant or is the claimant's child and the claimant's dependent under the Internal Revenue Code.

Under this bill, an income tax deduction for amounts contributed to such an account may be claimed by a grandparent of the beneficiary, subject to the same limits and conditions that exist under current law.

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.** 71.05 (6) (b) 32. (intro.) of the statutes is amended to read:

2 71.05 (6) (b) 32. (intro.) An amount paid into a college savings account, as

3 described in s. 14.64, if the beneficiary of the account either is the claimant, ~~or~~ is the

4 claimant's child and the claimant's dependent who is claimed under section 151 (c)

5 of the Internal Revenue Code, ~~or~~ or is the claimant's grandchild; calculated as follows:

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167.

6 **SECTION 2.** 71.05 (6) (b) 33. (intro.) of the statutes is amended to read:

7 71.05 (6) (b) 33. (intro.) An amount paid into a college tuition and expenses

8 program, as described in s. 14.63, if the beneficiary of the account either is the

9 claimant, ~~or~~ is the claimant's child and the claimant's dependent who is claimed

10 under section 151 (c) of the Internal Revenue Code, ~~or~~ or is the claimant's grandchild;

11 calculated as follows:

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167.

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

BILL

1 July 31^g this act first applies to taxable years beginning on January 1 of the year
2 following the year in which this subsection takes effect.

3 (END)



STEPHEN R. MILLER
CHIEF

State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
5TH FLOOR
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-6948

February 1, 2001

MEMORANDUM

To: Representative Kreibich

From: Marc E. Shovers, Senior Legislative Attorney

Re: LRB-2254 Allow grandparents an individual income tax deduction for Ed Vest contributions

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

JACKET FOR ASSEMBLY JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-0129 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 266-5648

STEPHEN R. MILLER
CHIEF

April 20, 2001

MEMORANDUM

To: Representative Kreibich

From: Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

Subject: Technical Memorandum to **2001 AB-298** (LRB-2254/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

April 20, 2001

TO: Marc Shovers
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on AB 298 – Grandparents Deduction for College Tuition Program

The Department wishes to raise the following concern regarding AB 298:

The language in sections 71.05 (6)(b)32 (intro.) and 71.05 (6)(b)33 (intro.) appears to introduce ambiguity into the calculation of the deduction for accounts for which there is more than one contributor. It is not clear who may claim the deduction if both parents and grandparents were to contribute to the same account for one beneficiary. There is similar ambiguity if two or more accounts are opened on behalf of the same beneficiary. According to sections 71.05 (6)(b)32a and 71.05 (6)(b)33a, the deduction is calculated as "[a]n amount equal to not more than \$3,000 per beneficiary for each year to which the claim relates." Thus, the deduction appears to be linked to the beneficiary of the account, not to the account itself or to the source of contributions to the account.

Because the deduction appears to be linked to the account beneficiary, parents and grandparents currently must split the \$3,000 deduction. This creates additional complexity both for the taxpayers when filing their tax returns and for the Department when auditing returns. If the deduction were to be linked to the contributor, both parents and grandparents could each claim up to a \$3,000 deduction for contributions to the same account or to separate accounts for the same beneficiary. If the deduction were to be linked to the account, both parents and grandparents could claim up to a \$3,000 deduction for contributions to separate accounts. However, parents and grandparents contributing to the same account would again have to split the \$3,000 deduction, or one parent or grandparent could open 2 or more accounts on behalf of the same beneficiary and receive the maximum \$3,000 deduction for each account.

If it is the sponsor's intent to allow the deduction to any taxpayer making contributions to an account, statutory language should be developed to reflect this intent.

If you have questions regarding this technical memorandum, please contact Meredith Krejny at 261-8984.

DC:MK