

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3369/3dn
MES:kmg:jf

June 9, 2001

Representative Kedzie:

For the hardship withdrawal exemptions in s. 71.05 (1) (am) 1. to 4. in the bill, I tried to tie the exemptions to provisions of the Internal Revenue Code to prevent them from being too broad. Are these limitations OK? Section 71.05 (1) (am) 1., for example, is based on an exception to the 10% penalty tax for certain IRA distributions. See section 72 (t) (2) (B) of the IRC.

Subdivision 2., relating to home buyers, is based on section 72 (t) (2) (F) of the IRC. The department of revenue may need to promulgate rules relating to a "first-time home buyer" if the IRC is not cross-referenced directly.

The exemption in subd. 3. for qualified higher education expenses in the bill does not cover grandchildren, as does the IRC in section 72 (t) (7) on which it is based.

The exemption in subd. 4. seems to be a little bit vague, but I couldn't find a comparable provision in the IRC. Do you have any more precise information on the "amounts necessary to prevent eviction..." to which you would like the exemption to apply?

You may want the department of revenue to review the bill to see how they would interpret it and what rules they think may be necessary to promulgate.

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