



## Fiscal Estimate Narratives

WTCS 4/14/2005

LRB Number <b>05-1748/2</b>	Introduction Number <b>SB-152</b>	Estimate Type <b>Original</b>
<b>Subject</b> Education tax credit		

### Assumptions Used in Arriving at Fiscal Estimate

SB 152, if enacted creates an income tax and franchise tax credit for businesses that pay tuition for an individual to attend a university, college, or technical college. Sole proprietorships, corporations, and insurers may claim the credit. Partnerships, limited liability companies, and tax-option corporations compute the credit but pass it on to the partners, members, and shareholders in proportion to their ownership interests. The credit is an amount equal to: 1) 50 percent of the tuition paid by a business for an individual to attend school in a taxable year, if the individual is enrolled in a degree-granting program; and 2) 75 percent of the tuition paid by a business for an individual to attend school in a taxable year, if the individual is enrolled in a degree-granting program and if the individual's taxable income is not more than 185 percent of the federal poverty line. If the credit claimed by a business exceeds the business's tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

To claim a credit, SB 152 requires sole proprietorships, corporations, and insurers (claimants) to obtain written certification from a qualified postsecondary institution concerning the amount of tuition that the claimant paid or incurred during the taxable year for an individual to participate in an education program of the qualified postsecondary institution and to include a copy of the certification with the claimant's tax return.

To claim a credit equal to 75 percent of the tuition paid, SB 152 requires a claimant to obtain written certification from a qualified postsecondary institution that the taxable income of the individual for whom the claimant has paid or incurred tuition during the taxable year for the individual to participate in an education program of the qualified postsecondary institution is not more than 185 percent of the poverty line and includes a copy of the certification with the claimant's return.

The certifications required under SB 152 would be the responsibility of the 16 Wisconsin Technical College System (WTCS) institutions.

Currently, WTCS institutions track the source of direct tuition payments and provides annual summaries of either the amount of tuition paid or the amount billed and the value of any student financial aid received to each student for tax purposes. If a student receives support from a third party (such as their employer), but pays the tuition themselves, the WTCS payment record would indicate payment by the student. To ensure that a claimant could acquire certification from a WTCS institution of all tuition payments made as required by SB 152, the claimant would have to make direct payments to the technical college.

WTCS institutions collect income information for students who apply for student financial aid. To enable a technical college to certify that the taxable income of any student for whom a claimant was paying tuition and claiming a credit is above or below 185 percent of the poverty line, as defined under SB 152, non-financial aid receiving students would have to provide tax and income information to the technical college.

The certification provisions of SB 152 would increase the information gathering and administrative responsibilities of WTCS institutions.

SB 152 contains no funding to support administration of the tax credit program.

### Long-Range Fiscal Implications

SB 152 has no state fiscal effect.

To the extent that a tax credit encourage businesses to provide tuition assistance to individuals, enactment of SB 152 could result in increased enrollments to WTCS institutions. To the extent that enrollments increase, the operating costs of the WTCS institutions will increase, although these costs would be partially offset by increased tuition revenues from higher enrollments (tuition currently supports approximately 16 to 17% of WTCS colleges operating costs).

The additional administrative responsibility of certifying the level of students taxable income would result in increased administrative costs for WTCS institutions.