

2007 DRAFTING REQUEST

Bill

Received: 12/29/2006

Received By: mshovers

Wanted: As time permits

Identical to LRB:

For: Administration-Budget 6-7597

By/Representing: Easton

This file may be shown to any legislator: NO

Drafter: mshovers

May Contact:

Addl. Drafters:

Subject: Tax, Individual - dedct/sbtrct

Extra Copies:

Submit via email: NO

Pre Topic:

DOA:.....Easton, BB0270 -

Topic:

Increase and expand the individual income tax college tuition deduction; prevent double benefit from college tuition deduction and EdVest deduction

Instructions:

See Attached.

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>
/?	mshovers 01/03/2007	wjackson 01/04/2007		_____			State Tax
/1			pgreensl 01/04/2007	_____	cduerst 01/04/2007		State Tax
/2	mshovers 01/10/2007	wjackson 01/10/2007	jfrantze 01/11/2007	_____	cduerst 01/11/2007		State Tax
/3	mshovers 01/28/2007	lkunkel 01/28/2007	chanaman 01/28/2007	_____	cduerst 01/28/2007		State Tax
/4	mshovers	wjackson	nmatzke	_____	cduerst		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	01/30/2007	01/30/2007	01/30/2007 _____		01/30/2007		Tax
/5	mshovers 02/06/2007	lkunkel 02/06/2007	jfrantze 02/06/2007 _____		sbasford 02/06/2007		

FE Sent For:

<END>

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Log/6 *Log/6*

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	01/30/2007	01/30/2007 <i>/blmk²/₆</i>	01/30/2007 _____		01/30/2007		

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/3	mshovers 01/28/2007	lkunkel 01/28/2007	chanaman 01/28/2007		cduerst 01/28/2007		

FE Sent For: 1/30/07 [Handwritten notes: nwn 1/30, nwn/pg 1/30]

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13 MES 1/28/07
13/mk 1/28

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DOA:.....Easton, BB0270 -

Topic:

Increase and expand the individual income tax college tuition deduction

Instructions:

for 12 - remove the phase-in -- set the amount at \$6,000

See Attached.

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/?	mshovers 01/03/2007	wjackson 01/04/2007		_____			State Tax
/1		12 Wlj 1/10	pgreensl 01/04/2007	_____	cduerst 01/04/2007		

12 MES 1/10/07

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Handwritten signature and "1" above "<END>"

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/? mshovers

1/1 NES 1/3/07
1/1 WJ 1/19

Y
ps
Y
ps/k

FE Sent For:

<END>

2007-09 Budget Bill Statutory Language Drafting Request

- Topic: Increase the College Tuition Deduction
- Tracking Code: BB0270
- SBO team: Tax and Local Government
- SBO analyst: Easton
 - Phone: 6-7597
 - Email: Darren.easton@wisconsin.gov
- Agency acronym: DOR
- Agency number: 566
- Priority (Low, Medium, High): Medium

**Statutory Language Request
December 28, 2006**

TITLE: INCREASE THE COLLEGE TUITION DEDUCTION AND EXPAND IT TO INCLUDE FEES

RECOMMENDATION FOR ACTION:

Delete the language in 71.05(6)(b)(28)(a) that links the amount of the deduction "to not more than twice the average amount charged by the board of regents of the University of Wisconsin System at 4-year institutions for resident undergraduate academic fees for the most recent fall semester." Draft language that sets the amount deductible to \$4800 for tax year 2007, \$5400 for tax year 2008, and \$6000 for tax year 2009 and thereafter.

Also, amend the language of this deduction to allow fees paid to a college or university.

EFFECTIVE DATE OR INITIAL APPLICABILITY:

Beginning on January 1 of the year in which this subsection takes effect.

PERSON TO CONTACT:

Darren Easton
6-7597
Darren.easton@wisconsin.gov



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1303/2

MES...:....

Wij
RMP

DOA:.....Easton, BB0270 - Increase and expand the individual income tax college tuition deduction

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

no net gen

- 1 AN ACT ...; relating to: increasing and expanding the college tuition individual
- 2 income tax deduction.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Current law provides a subtraction from federal adjusted gross income for a certain amount paid by a claimant for tuition to attend a university, college, technical college, or other school that is approved by the Educational Approval Board and that is located in this state or that is subject to the Minnesota-Wisconsin reciprocity agreement. The amount of the subtraction may not exceed twice the average amount charged by the board of regents of the University of Wisconsin System at four-year institutions for resident undergraduate tuition for the most recent fall semester. Currently, the maximum allowable subtraction is \$4,536. In addition, 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 the ratio of the individual's wages, income, and net earnings from a trade or business that are taxable by this state to 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.

This bill increases the amount of the allowable subtraction to \$4,800 for taxable year 2007, to \$5,400 for taxable year 2008, and to \$6,000 for taxable year 2009 and thereafter. The bill also expands the subtraction to include fees paid to an eligible institution.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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) 28. (intro.) of the statutes is amended to read:

2 71.05 (6) (b) 28. (intro.) An amount paid by a claimant for tuition expenses and
3 fees for a student who is the claimant or who is the claimant's child and the claimant's
4 dependent who is claimed under section 151 (c) of the Internal Revenue Code, to
5 attend any university, college, technical college or a school approved under s. 38.50,
6 that is located in Wisconsin or to attend a public vocational school or public
7 institution of higher education in Minnesota under the Minnesota-Wisconsin
8 reciprocity agreement under s. 39.47, 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; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; s. 13.93 (2) (c).

9 **SECTION 2.** 71.05 (6) (b) 28. a. of the statutes is amended to read:

10 71.05 (6) (b) 28. a. An amount equal to one of the following per student for each
11 year to which the claim relates: for taxable years beginning before January 1, 2007,
12 not more than twice the average amount charged by the board of regents of the
13 University of Wisconsin System at 4-year institutions for resident undergraduate
14 academic fees for the most recent fall semester, as determined by the board of regents
15 by September 1 of that semester, ~~per student for each year to which the claim relates~~
16 ; for taxable years beginning after December 31, 2006, and before January 1, 2008,

1 \$4,800; for taxable years beginning after December 31, 2007, and before January 1,
2 2009, \$5,400; for taxable years beginning after December 31, 2008, \$6,000.

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; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 253, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; s. 13.93 (2) (c)

INS
2-3

SECTION 9341. Initial applicability; revenue.

4 (1) SUBTRACT MODIFICATION FOR TUITION EXPENSES. The treatment of section
5 71.05 (6) (b) 28. (intro.) ^{and ho} of the statutes first applies to taxable years beginning on
6 January 1 of the year in which this subsection takes effect, except that if this ^{and ho}
7 subsection takes effect after July 31 the treatment of section 71.05 (6) (b) 28. (intro.) ^{and ho}
8 of the statutes first applies to taxable years beginning on January 1 of the year
9 following the year in which this subsection takes effect.

10 (END)

INS 2-3

Section #. 71.05 (6) (b) 28. h. of the statutes is amended to read:

71.05 (6) (b) 28. h. No modification may be claimed under this subdivision for an amount paid for tuition expenses, ^{and fees} as described under this subdivision, if the source of the payment is an amount withdrawn from a college savings account, as described in s. 14.64 or from a college tuition and expenses program, as described in s. 14.63, and if the claimant has claimed a deduction under subd. 32. or 33. that relates to such an amount.

History: 003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; s. 13.93 (2) (c). 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; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; s. 13.93 (2) (c).



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1303/12

MES:wlj:pg

RMR

DOA:.....Easton, BB0270 - Increase and expand the individual income tax college tuition deduction

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

do not
gen

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\$6,000 and

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6 that is located in Wisconsin or to attend a public vocational school or public
7 institution of higher education in Minnesota under the Minnesota-Wisconsin
8 reciprocity agreement under s. 39.47, calculated as follows:

9 **SECTION 2.** 71.05 (6) (b) 28. a. of the statutes is amended to read:

10 71.05 (6) (b) 28. a. An amount equal to one of the following per student for each
11 year to which the claim relates: for taxable years beginning before January 1, 2007,
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16 ; for taxable years beginning after December 31, 2006, and before January 1, 2008.

1 ~~(\$4,800; for taxable years beginning after December 31, 2007, and before January 1,~~
2 ~~2009, \$5,400; for taxable years beginning after December 31, 2008, \$6,000.~~

3 **SECTION 3.** 71.05 (6) (b) 28. h. of the statutes is amended to read:

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5 an amount paid for tuition expenses and fees, as described under this subdivision,
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14 subsection takes effect after July 31 the treatment of section 71.05 (6) (b) 28. (intro.)
15 and h. of the statutes first applies to taxable years beginning on January 1 of the year
16 following the year in which this subsection takes effect.

17 (END)

Shovers, Marc

From: Easton, Darren - DOA
Sent: Friday, January 26, 2007 5:37 PM
To: Shovers, Marc
Subject: LRB 1303

Marc,

Please add the word "academic" in front of fees in this draft. DOR just wants to clarify exactly what type of fees will be deductible.

DOR also brought up the issue below. We want the increase and the inclusion of fees to apply for TY07.

The initial applicability language only applies to sec. 71.05(6)(b)28(intro) and h. It does not affect sec. 71 (b)28.a which refers to before/after December 31, 2006.

If the bill is enacted after July 31, the \$6,000 tuition would apply for 2007, but the expansion to include would not apply until 2008. It is unclear if this is the intent.

Thanks,

Darren M. Easton
Executive Policy and Budget Analyst
608-266-7597



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1303/2

MES:wlf:jjf

3
RMR
STAYS

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FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

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This bill increases the amount of the allowable subtraction to \$6,000 and expands the subtraction to include ^{academic} fees paid to an eligible institution. x

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17 **SECTION 3.** 71.05 (6) (b) 28. h. of the statutes is amended to read:



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1303/3

MES:wlj:jf

LPS: Please fix request.

stays

FNR

DOA:.....Easton, BB0270 - Increase and expand the individual income tax college tuition deduction, prevent double benefit from college tuition deduction and EdVest deduction
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

P-NOTE ↓

DO NOT GEN

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1-2

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AML

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15 by September 1 of that semester, per student for each year to which the claim relates;
16 for taxable years beginning after December 31, 2006, \$6,000.

17 **SECTION 3.** 71.05 (6) (b) 28. h. of the statutes is amended to read:

Barman, Mike

From: Hanaman, Cathlene
Sent: Tuesday, January 30, 2007 3:03 PM
To: Barman, Mike
Subject: FW: reconciliation

From: Shovers, Marc
Sent: Tuesday, January 30, 2007 12:47 PM
To: Hanaman, Cathlene
Subject: reconciliation

I combined -0840 and -1303 to fix a reconciliation problem. LRB -0840 should no longer be in the compile.

Marc E. Shovers

Senior Legislative Attorney
Legislative Reference Bureau
Phone: (608) 266-0129
Fax: (608) 264-8522
e-mail: marc.shovers@legis.state.wi.us

DOA:.....Easton, BB0154 - Coordination of tuition expense deduction and EdVest deduction; prevent double benefit

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

INS 1-2

1 AN ACT ...; relating to: and coordinating the individual income tax treatments of the
2 tuition expenses deduction and the EdVest deduction.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

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Under current law, an individual may not claim an income tax deduction for college tuition expenses if the source of the payment is an amount withdrawn from either a college tuition and expenses program or a college savings account (commonly known as EdVest I and EdVest II) and if the claimant has already claimed a deduction that relates to a contribution to such an EdVest I or II account.

Under this bill, an individual may not claim an income tax deduction for college tuition expenses if the source of the payment is an amount withdrawn from either an EdVest I or II account and if the owner of the account has already claimed a deduction that relates to a contribution to such an EdVest I or II account.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1303/4dn

MES:wlj:jf

↑
Stays

Darren Easton:

This draft reconciles LRB -1303/3 and -0840/1. It replaces LRB -0840/1 in the compiled bill.

In addition, the initial applicability provision in LRB -1303 that affects s. 71.05 (6) (b) 28. (first applies to taxable years beginning on January 1, 2007), will also apply to the treatment of s. 71.05 (6) (b) 28. that was in LRB -0840. Now, under this version of the draft, both treatments of s. 71.05 (6) (b) 28. will first apply to taxable years beginning on January 1, 2007.

Marc E. Shovers
Senior Legislative Attorney
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DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1303/4dn
MES:wlj:nwn

January 30, 2007

Darren Easton:

This draft reconciles LRB-1303/3 and -0840/1. It replaces LRB-0840/1 in the compiled bill.

In addition, the initial applicability provision in LRB-1303 that affects s. 71.05 (6) (b) 28. (first applies to taxable years beginning on January 1, 2007), will also apply to the treatment of s. 71.05 (6) (b) 28. that was in LRB-0840. Now, under this version of the draft, both treatments of s. 71.05 (6) (b) 28. will first apply to taxable years beginning on January 1, 2007.

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State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1303/4⁵

MES:wj:nwn

← ↑ RMR
SWS

DOA:.....Easton, BB0270 - Increase and expand the individual income tax college tuition deduction; prevent double benefit from college tuition deduction and EdVest deduction

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

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- 1 AN ACT ...; **relating to:** increasing and expanding the college tuition individual
2 income tax deduction and coordinating the individual income tax treatments
3 of the tuition expenses deduction and the EdVest deduction.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Current law provides a subtraction from federal adjusted gross income for a certain amount paid by a claimant for tuition to attend a university, college, technical college, or other school that is approved by the Educational Approval Board and that is located in this state or that is subject to the Minnesota-Wisconsin reciprocity agreement. The amount of the subtraction may not exceed twice the average amount charged by the Board of Regents of the University of Wisconsin System at four-year institutions for resident undergraduate tuition for the most recent fall semester. Currently, the maximum allowable subtraction is \$4,536 and 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 the ratio of the individual's

wages, income, and net earnings from a trade or business that are taxable by this state to 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.

This bill increases the amount of the allowable subtraction to \$6,000 and expands the subtraction to include ~~academic~~ ^{mandatory} fees paid to an eligible institution.

Under current law, an individual may not claim an income tax deduction for college tuition expenses if the source of the payment is an amount withdrawn from either a college tuition and expenses program or a college savings account (commonly known as EdVest I and EdVest II) and if the claimant has already claimed a deduction that relates to a contribution to an EdVest I or II account.

Under this bill, an individual may not claim an income tax deduction for college tuition expenses if the source of the payment is an amount withdrawn from either an EdVest I or II account and if the owner of the account has already claimed a deduction that relates to a contribution to an EdVest I or II account.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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) 28. (intro.) of the statutes is amended to read:

2 71.05 (6) (b) 28. (intro.) An amount paid by a claimant for tuition expenses and
3 ~~academic~~ ^{mandatory student} fees for a student who is the claimant or who is the claimant's child and the
4 claimant's dependent who is claimed under section 151 (c) of the Internal Revenue
5 Code, to attend any university, college, technical college or a school approved under
6 s. 38.50, that is located in Wisconsin or to attend a public vocational school or public
7 institution of higher education in Minnesota under the Minnesota-Wisconsin
8 reciprocity agreement under s. 39.47, calculated as follows:

9 **SECTION 2.** 71.05 (6) (b) 28. a. of the statutes is amended to read:

10 71.05 (6) (b) 28. a. An amount equal to one of the following per student for each
11 year to which the claim relates: for taxable years beginning before January 1, 2007,

1 not more than twice the average amount charged by the board of regents of the
2 University of Wisconsin System at 4-year institutions for resident undergraduate
3 academic fees for the most recent fall semester, as determined by the board of regents
4 by September 1 of that semester, ~~per student for each year to which the claim relates;~~
5 for taxable years beginning after December 31, 2006, \$6,000.

6 SECTION 3. 71.05 (6) (b) 28. h. of the statutes is amended to read:

7 71.05 (6) (b) 28. h. No modification may be claimed under this subdivision for
8 an amount paid for tuition expenses and ~~academic fees~~, ^{mandatory student} as described under this
9 subdivision, if the source of the payment is an amount withdrawn from a college
10 savings account, as described in s. 14.64 or from a college tuition and expenses
11 program, as described in s. 14.63, and if the claimant owner of the account has
12 claimed a deduction under subd. 32. or 33. that relates to such an amount.

***NOTE: This is reconciled s. 71.05 (6) (b) 28. h. This SECTION has been affected
by drafts with the following LRB numbers: 1303 and 0840.

13 SECTION 9341. Initial applicability; Revenue.

14 (1) SUBTRACT MODIFICATION FOR TUITION EXPENSES. The treatment of section
15 71.05 (6) (b) 28. (intro.) and h. of the statutes first applies to taxable years beginning
16 on January 1, 2007.

17 (END)



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1303/5

MES:wlj:jf

DOA:.....Easton, BB0270 - Increase and expand the individual income tax college tuition deduction; prevent double benefit from college tuition deduction and EdVest deduction

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wages, income, and net earnings from a trade or business that are taxable by this state to 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.

This bill increases the amount of the allowable subtraction to \$6,000 and expands the subtraction to include mandatory fees paid to an eligible institution.

Under current law, an individual may not claim an income tax deduction for college tuition expenses if the source of the payment is an amount withdrawn from either a college tuition and expenses program or a college savings account (commonly known as EdVest I and EdVest II) and if the claimant has already claimed a deduction that relates to a contribution to an EdVest I or II account.

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