



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

RESEARCH APPENDIX - **PLEASE DO NOT REMOVE FROM DRAFTING FILE**

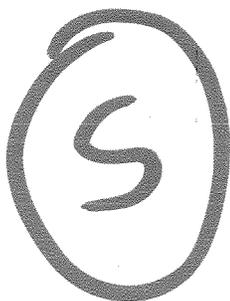
Date Transfer Requested: 01/30/2007 (Per: MES)



Appendix A

 The 2007 drafting file for LRB 07-0840
has been copied/added to the 2007 drafting file for

LRB 07-1303



 The attached 2007 draft was incorporated into the new 2007 draft listed above. For research purposes, this cover sheet and the attached drafting file were copied, and added, as a appendix, to the new 2007 drafting file. If introduced this section will be scanned and added, as a separate appendix, to the electronic drafting file folder.

 This cover sheet was added to rear of the original 2007 drafting file. The drafting file was then returned, intact, to its folder and filed.

2007 DRAFTING REQUEST

Bill

Received: 11/17/2006

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 - income

Extra Copies:

Submit via email: NO

Pre Topic:

DOA:.....Easton, BB0154 -

Topic:

Coordination of tuition expense deduction and EdVest deduction; prevent double benefit

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 11/20/2006	kfollett 11/21/2006		_____			State Tax
/1			rschluet 11/21/2006	_____	cduerst 11/21/2006		

FE Sent For:

<END>

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1?	mshovers	11/12/06					
11	ME S 11/20/06						

FE Sent For:

<END>

2007-09 Budget Bill Statutory Language Drafting Request

- Topic: Eliminate EdVest Double Dip
- Tracking Code: BB0154
- 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): Low

**Legislative Proposal Summary
Wisconsin Department of Revenue
IS & E Division**

August 3, 2006

TITLE: Coordination of Tuition Expense Deduction and EdVest Deduction

DESCRIPTION OF CURRENT LAW AND PROBLEM

Section 71.05(6)(b)28, Wis. Stats., provides a deduction from federal adjusted gross income for the amount paid by a claimant for tuition for the claimant or the claimant's dependent child to attend a university, college, or technical college located in Wisconsin or in Minnesota under the reciprocity agreement. The maximum deduction is \$3,000 per student per year.

Sections 71.05(6)(b)32 and 33 provide a deduction from federal adjusted gross income for the amount paid into a college savings account or a college tuition and expenses program (commonly known as EdVest) by a claimant if the beneficiary of the account either is the claimant or is the claimant's dependent child. The maximum deduction is \$3,000 per beneficiary.

In order to prevent a double benefit, sec. 71.05(6)(b)28.h provides that the deduction for tuition may not be claimed if the source of the payment is an amount withdrawn from an EdVest account and if the claimant has claimed a deduction for such EdVest amount.

The EdVest Program and other qualified tuition programs are allowed under sec. 529 of the Internal Revenue Code. Section 529(c)(3)(A) provides that the beneficiary is required to include the earnings on the EdVest account in federal income. Such earnings are exempt from Wisconsin income tax under sec. 71.05(6)(b)31.

Because the student as beneficiary is the owner of the amounts distributed from the EdVest account, it is the student who has paid the tuition and is qualified to claim the deduction for tuition paid. In most cases, the sec. 71.05(6)(b)28.h provision to prevent a double benefit would not apply because it is the student who is the claimant and he/she would not have previously claimed a deduction for the amount contributed to the EdVest account (the deduction would have been claimed by the parent). Thus the parents may claim \$3,000 per year for the EdVest contributions and the student may claim \$3,000 per year for tuition paid even though the source of the payment is an EdVest distribution.

RECOMMENDATION FOR ACTION

Eliminate the double benefit that may occur with the deduction for tuition expenses and the EdVest deduction.

FISCAL/ADMINISTRATIVE IMPACT

Unknown, but will increase revenue.

DRAFTING INSTRUCTIONS

Amend sec. 71.05(6)(b)28.h to provide that the no modification for an amount paid for tuition expenses may be claimed if the source of the payment is an amount withdrawn from a college savings account, as described in sec. 14.64 or from a college tuition and expenses program, as described in sec. 14.63 and if the owner of the account has claimed a deduction under subd. 32. or 33.

EFFECTIVE DATE OR INITIAL APPLICABILITY

It would first apply to taxable years beginning on January 1 after date of enactment.

PERSON TO CONTACT

Lili Crane
266-8025

PREPARED BY: Marcy Stock
November 20, 2001

E:marcy/leg-EdVest



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-0840
MES..

Kjt
RMNR

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

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

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gen

1 AN ACT ...; relating to: 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

X

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.

X an

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 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.

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. h. of the statutes is amended to read:

2 71.05 (6) (b) 28. h. No modification may be claimed under this subdivision for
3 an amount paid for tuition expenses, as described under this subdivision, if the
4 source of the payment is an amount withdrawn from a college savings account, as
5 described in s. 14.64 or from a college tuition and expenses program, as described in
6 s. 14.63, and if the ~~claimant~~ owner of the account has claimed a deduction under
7 subd. 32. or 33. that relates to such an amount.

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).

8 **SECTION 9341. Initial applicability; Revenue.**

9 (1) TUITION EXPENSES DEDUCTION. The treatment of section 71.05(6)(b) 28. h. of
10 the statutes first applies to taxable years beginning on January 1 of the year in which
11 this subsection takes effect, except that if this subsection takes effect after July 31
12 the treatment of section 71.05 (6) (b) 28. h. of the statutes first applies to taxable
13 years beginning on January 1 of the year following the year in which this subsection
14 takes effect.

15 (END)



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-0840/1
MES:kjf:rs

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

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

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15

(END)