

2009 DRAFTING REQUEST

Bill

Received: **09/02/2009**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Kim Hixson (608) 266-9650**

By/Representing: **Rick Olin, LFB**

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: **YES**

Requester's email: **Rep.Hixson@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Create individual income tax deduction for certain student loan interest

Instructions:

See attached. Based on 2007 LRB -3119, as modified in attached instructions

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>
/?				_____			State
/1	mshovers 10/09/2009	jdyer 10/13/2009	mduchek 10/13/2009	_____	lparisi 10/13/2009	lparisi 03/09/2010	

FE Sent For:

<END>

↪ At Intro.

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/?	mshovers	10/13 jld	10/13	_____	_____	_____	_____
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11 MES 10/9/09

FE Sent For:

<END>

2007

AB 714

07-3119

Rick Olin

Rep. Hixson

Rick Olin

Start w/ that bill, but tie it
into the federal deduction on student
loan interest - - see DOR tech memo

∴ Student loan must have been taken
out by filer, spouse, dependent - the person
benefiting by the loan

This deduction is federalized - don't
we have to claim it - - -

∴ make this a 50% of interest credit

Interest is on any qualifying educ
expense - - same as AB 714

MEMORANDUM

February 15, 2008

TO: Marc Shovers
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on Assembly Bill 714: Creating a Nonrefundable Individual Income Tax Credit for Interest Paid on Certain Student Loans

The Department has the following concern related to the bill:

There currently is a deduction for up to \$2,500 for student loan interest under sec. 221 of the Internal Revenue Code (IRC). This deduction also applies for Wisconsin. Therefore, a person would receive a double benefit under this bill by being able to deduct all or a portion of the amount paid, plus receive a credit for the entire amount paid.

For purposes of sec. 221 of the IRC, sec 221(d) provides that the indebtedness may be incurred for education expenses incurred on behalf of the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer as of the time the indebtedness was incurred. It appears the Wisconsin credit could not be claimed by a parent (claimant) because the expenses must be related to the claimant's attendance at an eligible educational institution. Is this the intent?

If you have any questions regarding this technical memorandum, please contact Brad Caruth at (608) 261-8984 or bradley.caruth@revenue.wi.gov.

cc: Representative Hixson



State of Wisconsin
2009 - 2010 LEGISLATURE

LRB-34207

MES:.....

Handwritten: jld
PMA

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

Handwritten: gen

Handwritten: SOON

1

AN ACT ...; relating to: creating a nonrefundable individual income tax credit for

2

interest paid on certain student loans

Analysis by the Legislative Reference Bureau

Handwritten: educational

Under federal law, there is deduction for up to \$2,500 in student loan interest paid in the year to which the claim relates for indebtedness incurred for education expenses for a taxpayer, the taxpayer's spouse, or the taxpayer's dependent. This deduction applies for Wisconsin purposes as well.

This bill creates a nonrefundable individual income tax credit for interest payments paid by a claimant on a loan that is used for the educational expenses of the claimant, the claimant's spouse, or the claimant's dependent. Under the bill, the credit may be claimed for 50 percent of the interest paid by the claimant on a loan, the proceeds of which are used to pay for tuition, fees, books, room and board, and educational supplies that are directly related to the claimant's attendance, or the attendance of the claimant's spouse or dependent, at a regionally accredited, nonprofit, postsecondary educational institution.

Because the credit is nonrefundable, it may be claimed only up to the amount of a claimant's income tax liability. The credit may not be claimed by nonresidents or part-year residents of this state.

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.** 71.07 (8e) of the statutes is created to read:

2 71.07 (8e) **EDUCATIONAL INTEREST EXPENSES TAX CREDIT.** (a) *Definitions.* In this
3 subsection:

4 1. "Claimant" means an individual who files a claim under this subsection.

5 2. "Dependent" means an individual who is claimed by the claimant as a
6 dependent under section 151 (c) of the Internal Revenue Code

7 3. "Educational interest expenses" means any amount of interest paid on a
8 loan, the proceeds of which are used to pay for tuition, fees, books, room and board,
9 and educational supplies that are directly related to the claimant's attendance, or the
10 attendance of the claimant's spouse or dependent, at an eligible educational
11 institution, as defined in s. 18.81 (2).

12 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
13 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
14 amount of those taxes, 50 percent of the amount that the claimant pays for
15 educational interest expenses in the year to which the claim relates.

16 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
17 is claimed within the time period under s. 71.75 (2).

18 2. No credit may be claimed under this subsection by a part-year resident or
19 a nonresident of this state.

20 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
21 under that subsection, applies to the credit under this subsection.

22 **SECTION 2.** 71.10 (4) (cg) of the statutes is created to read:

23 71.10 (4) (cg) The educational interest expenses tax credit under s. 71.07 (8e).

24 **SECTION 3. Initial applicability.**

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(1) This act first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect on or after August 1 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)

Parisi, Lori

From: Vander Meer, John

Sent: Tuesday, March 09, 2010 3:00 PM

To: LRB.Legal

Subject: Draft Review: LRB 09-3420/1 Topic: Create individual income tax deduction for certain student loan interest

Please Jacket LRB 09-3420/1 for the ASSEMBLY.