

**2009 DRAFTING REQUEST**

**Assembly Amendment (AA-AB908)**

Received: **04/07/2010**

Received By: **mshovers**

Wanted: **As time permits**

Companion to LRB:

For: **Jeffrey Wood (608) 266-1194**

By/Representing: **Jessica**

May Contact:

Drafter: **mshovers**

Subject: **Tax, Individual - income credit**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.WoodJ@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; phase out as income rises

**Instructions:**

See attached. Phase out the credit amount as income rises, based on the federal law; no credit if income exceeds \$50,000. See section 221 of the IRC

**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>
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FE Sent For:

<END>

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1/?	mshovers	1 4/8 jld	4/8 ph	4/8 ph			
1/1/MS	4/7/10						

FE Sent For:

<END>

AB 908

Rep. Wood

Jessica

6-11-95

fed. law phases out  
btwn \$15,000 and \$50,000  
for single

and btwn \$30,000 &  
\$100,000 for married  
joint

phase out based on fed.

income tax guidelines

no credit not available if

earning  $>$  \$50,000

50% CR = 35K

assume

\$1,000 credit  
under par. (6)

if WAGI = 32,500, shld get 50% of credit

$$\text{if } 15,000, \text{ CR} = \frac{50-15}{35} = 1 \times 1000 = \$1,000$$

$$\text{if } 32,500, \frac{50-32,500}{35} = .5 = 1000 \times .5 = 500$$

$$\text{if } 40,000, \frac{50-40}{35} = .2857 \times 1000 = 285.71$$

$$\text{if } 48,000, \frac{50-48}{35} = 0.0571428 \times 1000 = \$57.14$$

$$\text{if } 16,000, \frac{50-16}{35} = .9714285 \times 1000 = 971.43$$

Sec. 221. Interest on education loans

*Phase out amounts are on p. 2.*

Background Notes

26 U.S.C. 221 Regulations

1997 Taxpayer Relief Act

1998 Internal Revenue Service Restructuring and Reform Act

1998 Tax and Trade Relief Extension Act

2001 Economic Growth and Tax Relief Reconciliation Act

Notes: Sunset Provision

Sunset Provision Made Permanent

2004 Working Families Tax Relief Act

2004 American Jobs Creation Act

2005 Tax Technical Corrections Act (title IV of the Gulf Opportunity Zone Act of 2005)

Special Note: 2006 Pension Protection Act Makes Permanent 2001 EGTRRA Sunset Provision

Year 2010 Inflation Adjusted Items

Year 2009 Inflation Adjusted Items

(a) Allowance of deduction

In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

(b) Maximum deduction

(1) In general

Except as provided in paragraph (2), the deduction allowed by subsection (a) for the taxable year shall not exceed the amount determined in accordance with the following table:

<b>In the case of taxable years beginning in:</b>	<b>The dollar</b>	<b>amount is:</b>
1998		\$1,000
1999		\$1,500
2000		\$2,000
2001 or thereafter		\$2,500.

(2) Limitation based on modified adjusted gross income

(A) In general

The amount which would (but for this paragraph) be allowable as a deduction under this section shall be reduced (but not below zero) by the amount determined under subparagraph (B).

(B) Amount of reduction

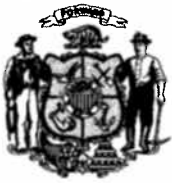
The amount determined under this subparagraph is the amount which bears the same ratio to the amount which would be so taken into account as--

(i) the excess of--

(I) the taxpayer's modified adjusted gross income for such taxable year, over

(II) \$50,000 (\$100,000 in the case of a joint return), bears to

(ii) \$15,000 (\$30,000 in the case of a joint return).



State of Wisconsin  
2009 - 2010 LEGISLATURE

LRBa2066/7

MES: [unclear]

*Handwritten:* JLD  
FMR

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

ASSEMBLY AMENDMENT,  
TO 2009 ASSEMBLY BILL 908

*Handwritten:* WANTED  
THURS. a.m.

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At the locations indicated, amend the bill as follows:

1. Page 2, line 19: after that line insert:

“3. If the claimant is a single filer, a married individual filing separately, or a head of household, the claimant may not claim a credit under this subsection if his or her Wisconsin adjusted gross income exceeds \$50,000 in the year to which the claim relates and, if the claimant’s Wisconsin adjusted gross income exceeds \$15,000 in the year to which the claim relates, the claimant shall multiply the amount of the claim for which he or she would otherwise be eligible under par. (b) by a fraction, the numerator of which is the difference between 50,000 and the claimant’s Wisconsin adjusted gross income and the denominator of which is 35,000.”

4. If the claimant is a married individual filing a joint return, the claimant may not claim a credit under this subsection if the married couple’s Wisconsin adjusted

*Handwritten:* CHECK Δ

1 gross income exceeds \$100,000<sup>✓</sup> in the year to which the claim relates<sup>✓</sup> and, if the  
2 married couple's Wisconsin adjust<sup>ed</sup> gross income exceeds \$30,000<sup>✓</sup> in the year to which  
3 the claim relates, the claimant shall multiply the amount of the claim for which he  
4 or she would otherwise be eligible under par. (b)<sup>✓</sup> by a fraction, the numerator of which  
5 is the difference between 100,000<sup>✓</sup> and the married couple's Wisconsin adjusted gross  
6 income and the denominator of which is 70,000.<sup>✓</sup>

7

(END)