



State of Wisconsin

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RICHARD CHAMPAGNE
CHIEF

June 25, 2015

MEMORANDUM

To: Senator Hansen

From: Marc E. Shovers, Senior Attorney, (608) 266-0129

Subject: Technical Memorandum to **2015 SB 194** (LRB-1144/1) by **DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

June 24, 2015

TO: Marc Shovers
Legislative Reference Bureau

FROM: Mike Wagner
Department of Revenue

SUBJECT: Technical Memorandum on Senate Bill 194: Relating to Public Student Loans, the Individual Income Tax Subtract Modification for Tuition and Student Fees, Creating an Authority to be Known as the Wisconsin Student Loan Refinancing Authority, Granting Rule-Making Authority, and Making an Appropriation

The Department has the following concerns related to the bill:

The bill allows a Wisconsin subtraction for amounts paid on a student loan. This will result in certain taxpayers receiving a double deduction for tuition, once when the tuition is paid and a second time when the loan that was used to pay the tuition is paid. It also allows a double deduction for the share of student loan interest that is currently deductible (up to \$2,500 of interest paid on a student loan).

The current tuition deduction is for tuition paid to attend schools in Wisconsin or in Minnesota under the tuition reciprocity agreement. Under this bill, the deduction for payments on a student loan is for expenses related to attendance at any regionally accredited, nonprofit, postsecondary educational institution.

The current deduction for tuition paid is limited to mandatory student fees. The deduction for loan payments includes the claimant's expenses for all fees related to attendance at an eligible educational institution. It should be clarified that these are also mandatory fees, which would exclude non-mandatory items such as fraternity and sorority membership fees, athletic fees, health service fees; etc.

The income and franchise tax status of the Wisconsin Student Loan Refinancing Authority is unclear. The department suggests s. 71.26(1)(be), Stats., be amended to include the Wisconsin Student Loan Refinancing Authority as an authority exempt from Wisconsin income and franchise tax.

In the analysis to the legislation, under income tax subtraction, it states, "Under this bill, the phase-out provisions do not apply to a taxable year that begins after December 31, 2013." However, Section 40 provides the phase-out provisions do not apply to taxable years that begin after December 31, 2015.

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

cc: Senator Hansen