

LRB

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MEMORANDUM

DATE December 14, 2017

SUBJECT Technical memorandum to **2017 AB 734** (LRB-4788/1) by **DOR**

TO Representative Stafsholt

FROM Marc Shovers, Senior Legislative Attorney, (608) 266-0129
Krista Pleviak, Legislative Attorney, (608) 266-7290

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

December 14, 2017

TO: Marc Shovers
Krista Pleviak
Legislative Reference Bureau

FROM: Robert Schmidt
Michael Oakleaf
Department of Revenue

SUBJECT: Technical Memorandum on AB 734 (LRB 4788/1) – Deduction for Tuition Expenses Paid for Apprenticeship Programs

The Department has the following technical concerns with the above-referenced bill:

- A subtraction is allowed in current-law s. 71.05(6)(b)32. for amounts contributed to a college savings account. If the apprenticeship program is provided through an accredited college, university, vocation school, or other postsecondary education institution, then distributions from a college savings account to pay for the apprenticeship program would not be taxable; however, they would be deductible under this provision. This would provide a double benefit – a deduction from tax when the amount is deposited, and then a second deduction when the tuition is paid for the apprenticeship program. To avoid the double benefit, the following language could be added to proposed s. 71.05(6)(b)54., "No modification may be claimed under this subdivision for an amount paid for an apprenticeship program, if the source of the payment is an amount withdrawn from a college savings account, as described in s. 224.50 or from a college tuition and expenses program, as described in s. 224.48."
- A subtraction is also allowed in current-law s. 71.05(6)(b)28., for tuition and fee expenses paid during the year. If the apprenticeship program is provided through an accredited college, university, vocation school, or other postsecondary education institution, then a double benefit would occur if a subtraction is allowed under both provisions. In order to avoid allowing two subtractions for the same expenses, the following language could be added to 71.05(6)(b)54., "The modification that may be claimed under this subdivision for an amount paid for an apprenticeship program is reduced by the amount paid for an apprenticeship program that is being claimed as a modification for tuition expenses or mandatory student fees under sec. 71.05(6)(b)28."
- The bill does not include a requirement to add any refund of the tuition expenses paid back to Wisconsin income if, for example, a claimant does not complete the apprenticeship program and is given a refund of the tuition expenses not used. The author may wish to include such a requirement.
- The deduction under the bill would apply to individuals and their dependents, corporations, and insurance companies, but not sole proprietorships who pay the tuition expenses of their employees. In order to include employees of sole proprietorships, proposed s. 71.05(6)(b)54.a. could be amended to say: "...tuition expenses that are paid in the year to which the claim relates by a claimant for the claimant or the claimant's dependent, or both,

or, if a self-employed individual, for a claimant's employee, to participate in an apprenticeship program."

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173 or via email at Michael.oakleaf@wisconsin.gov.

cc: Rep. Stafsholt