

**2017 DRAFTING REQUEST****Bill**

For: **Jeremy Thiesfeldt (608) 266-3156** Drafter: **mshovers**  
 By: **Hariah** Secondary Drafters: **agary**  
 Date: **1/9/2017** May Contact:  
 Same as LRB:

Submit via email: **YES**  
 Requester's email: **Rep.Thiesfeldt@legis.wisconsin.gov**  
 Carbon copy (CC) to:

**Pre Topic:**

No specific pre topic given

**Topic:**

Create a subtract modification (deduction) for interest payments made by a parent or grandparent on their child's or grandchild's student loans

**Instructions:**

Allow a deduction for interest paid on student loans if a parent or grandparent makes the loan payments on the student loan of their child or grandchild

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	mshovers 2/13/2017	jdye 1/11/2017	rmilford 1/11/2017		State Tax Exempt
/P2	mshovers 2/23/2017	jdye 2/14/2017	mbarman 2/14/2017		State Tax Exempt
/P3	mshovers 3/10/2017	jdye 2/27/2017	lparisi 2/27/2017		State Tax Exempt
/1	mshovers 5/11/2017	jdye 3/10/2017	lparisi 3/10/2017		State Tax Exempt
/2	mshovers	jdye	hkohn		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	5/15/2017	5/12/2017	5/12/2017		Tax Exempt
/3	mshovers 6/21/2017	anienaja 5/15/2017	lparisi 5/15/2017		State Tax Exempt
/4	agary 6/23/2017	jdyer 6/26/2017	hkohn 6/21/2017		State Tax Exempt
/5	mshovers 7/18/2017		mbarman 6/26/2017		State Tax Exempt
/6		jdyer 7/18/2017	lparisi 7/18/2017	dwalker 1/23/2018	State Tax Exempt

FE Sent For: 3/10/2017, 6/26/2017

("/1") ("/5")

<END>

→ At Intro.  
"/6"



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-1551/P1

MES: *ald*

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

*Wed  
or  
Thurs.*

*✓*  
*2*

*gen*

1 AN ACT ...; **relating to:** creating an individual income tax deduction for interest  
2 paid on student loans by student's *& a* parent or grandparent *of the student*

***Analysis by the Legislative Reference Bureau***

This bill creates an individual income tax subtract modification, ✓ or deduction, ✓ for interest paid by a 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 a beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution. ✓ To claim the deduction under the bill, the claimant must be the parent or grandparent of the beneficiary. ✓

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:***

3 SECTION 1. 71.05 (6) (b) 53. *✓* of the statutes is created to read:  
4 71.05 (6) (b) 53. Any amount of interest paid by a claimant in the year to which  
5 the claim relates on a loan, the proceeds of which are used to pay for ✓ tuition, fees,

1 books, room and board, and educational supplies<sup>✓</sup> that are directly related to a  
2 beneficiary's attendance at an eligible educational institution,<sup>✓</sup> as defined in s. 18.81  
3 (2).<sup>✓</sup> To claim the subtraction under this subdivision,<sup>✓</sup> the claimant must be the parent  
4 or grandparent of the beneficiary.<sup>✓</sup>

5 **SECTION 2. Initial applicability.**

6 (1) This act first applies to taxable years beginning on January 1 of the year  
7 in which this subsection takes effect,<sup>✓</sup> except that if this subsection takes effect after  
8 July 31 this act first applies to taxable years beginning on January 1 of the year  
9 following the year in which this subsection takes effect.

10 (END)



P2  
RMR

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

Tues

~~any amount of interest paid~~  
~~and principal~~  
~~by a parent or~~  
~~grandparent~~

4

Regen

1 AN ACT *to create* 71.05 (6) (b) 53. of the statutes; **relating to:** creating an  
2 individual income tax deduction for interest <sup>and principal</sup> paid on student loans by a ~~parent~~  
3 ~~or grandparent~~ <sup>relative</sup> of the student.

or principal  
or both

related to

**Analysis by the Legislative Reference Bureau**

This bill creates an individual income tax subtract modification, or deduction, for interest paid by a 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 a beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution. To claim the deduction under the bill, the claimant must be ~~the parent or grandparent~~ <sup>relative</sup> of the beneficiary.

INSANL V NOW

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:**

4 SECTION 1. 71.05 (6) (b) 53. of the statutes is created to read:

*Subject to the limit specified in this subd. 53, subdivision*

1 71.05 (6) (b) 53. Any amount of interest paid by a claimant in the year to which  
2 the claim relates on a loan, the proceeds of which are used to pay for tuition, fees,  
3 books, room and board, and educational supplies that are directly related to a  
4 beneficiary's attendance at an eligible educational institution, as defined in s. 18.81

*or principal or both*

5 (2). To claim the subtraction under this subdivision, the claimant must be the parent  
6 or grandparent of the beneficiary.

*related to*

*INS 2-6*

*NOT*

7 **SECTION 2. Initial applicability.**

8 (1) This act first applies to taxable years beginning on January 1 of the year  
9 in which this subsection takes effect, except that if this subsection takes effect after  
10 July 31 this act first applies to taxable years beginning on January 1 of the year  
11 following the year in which this subsection takes effect.

12 (END)

2017-2018 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1551/P2ins  
MES:jld

INS ANL

~~NO~~  
~~A~~ by blood, marriage, or adoption. ✓ The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings program, or EdVest, account. Currently, this amount is \$3,000 ✓ per beneficiary per year, as modified by the contributor's filing status and as indexed for inflation ~~NO~~ ~~A~~

INS 2-6

~~NO~~  
~~A~~ by blood, marriage, or adoption. The maximum amount that a claimant may subtract each year under this subdivision, ✓ for each of the claimant's beneficiaries, is the same amount that may be subtracted by a contributor under subd. 32. a., ✓ subject to the same provisions related to filing status and indexing that apply under that subdivision ~~NO~~ ~~A~~

**Shovers, Marc**

---

**From:** Hutkowski, Hariah  
**Sent:** Wednesday, February 22, 2017 3:01 PM  
**To:** Shovers, Marc  
**Subject:** LRB 1551/P2 revisions

Marc,

We have 5 changes to our bill. Give me a call when you are free.

Sincerely,

Hariah Hutkowski  
*Research Assistant /Committee Clerk*  
**Rep. Thiesfeldt, Education Chair**  
52<sup>nd</sup> Assembly District (Fond du Lac)  
608-266-3156





State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-1551/P2  
MES:jld

P3  
RMK

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

MON.

gen

✓

1 AN ACT to create 71.05 (6) (b) 53. of the statutes; relating to: creating an  
2 individual income tax deduction for interest and principal paid on student loans  
3 by a relative of the student.

Any individual, other than the beneficiary, may

**Analysis by the Legislative Reference Bureau**

This bill creates an individual income tax subtract modification, or deduction, for interest or principal or both paid by a 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 a beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution. To claim the deduction under the bill, the claimant must be related to the beneficiary by blood, marriage, or adoption. The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings program, or EdVest, account. Currently, this amount is \$3,000 per beneficiary per year, as modified by the contributor's filing status and as indexed for inflation.

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.

*granting the person who is the owner of the loan can't claim the credit*

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:**

**SECTION 1.** 71.05 (6) (b) 53. of the statutes is created to read:

71.05 (6) (b) 53. Subject to the limit specified in this subdivision, any amount of interest or principal or both paid by a claimant <sup>directly to the lender</sup> in the year to which the claim relates 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 a beneficiary's attendance at an eligible educational institution, as defined in s. 18.81 (2). ~~No~~ claim the subtraction under this subdivision, ~~the claimant must be related to the beneficiary by blood, marriage, or adoption.~~ The maximum amount that a claimant may subtract each year under this subdivision, for each of the claimant's beneficiaries, is the same amount that may be subtracted by a contributor under subd. 32. a., subject to the same provisions related to filing status and indexing that apply under that subdivision. <sup>except that no carryover is allowed under this subdivision.</sup>

**SECTION 2. Initial applicability.**

(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 after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)

*Any individual other than the beneficiary, may*

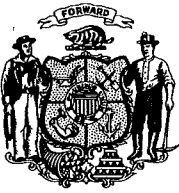
*make sure the unsub takes the deduction pays the lender directly*

*make sure Ed Vest*

*make sure there's NO CARRYOVER*

12

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State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-1551/P3  
MES:jld

RMR

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

today

X

Regen

1 AN ACT *to create* 71.05 (6) (b) 53. of the statutes; **relating to:** creating an  
2 individual income tax deduction for interest and principal paid on student loans  
3 ~~by a relative of the student.~~

↑

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This bill creates an individual income tax subtract modification, or deduction, for interest or principal or both paid by a 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 a beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution. Any individual, other than the beneficiary, may claim the deduction under the bill. The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings program, or EdVest, account. Currently, this amount is \$3,000 per beneficiary per year, as modified by the contributor's filing status and as indexed for inflation.

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.



**Barman, Mike**

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**From:** Shovers, Marc  
**Sent:** Friday, March 10, 2017 12:13 PM  
**To:** Barman, Mike  
**Subject:** LRB -1551/1

Hi Mike:

I'm having this bill redrafted today to become a /1. Hariah of Rep. Thiesfeldt's office told me he would like DOR to do a fiscal estimate, but Hariah said the office wants the FE done "anonymously." Can this be done?

Thanks,

Marc

Marc Shovers  
Senior Legislative Attorney  
Legislative Reference Bureau  
608-266-0129  
marc.shovers@legis.wisconsin.gov

yes

PA's  
Please send out  
for a FE on the  
"/1" version

CR; an addback; if someone legally obligated to pay back the loan gets the federal int deduction and someone makes his/her loan payments and claims the subtraction in the bill, the person who got the federal deduction must add it back under 71.05(6)(a).

**MEMORANDUM**

March 17, 2017

**TO:** Marc Shovers  
Legislative Reference Bureau

**FROM:** Bob Schmidt  
Department of Revenue

**SUBJECT:** Technical Memorandum on LRB 1551/1: Relating to Creating an Individual Income Tax Deduction for Interest and Principal Paid on Student Loans

Nicole  
67817-00R

The Department has the following concerns related to the bill:

OK, as only loan taken out by a student.

- "Loan" should be defined. Federal Publication 970, "Tax Benefits for Education," defines qualified student loan as a loan you took out solely to pay qualified education expenses that were:
  - For you, your spouse, or a person who was your dependent when you took out the loan;
  - Paid or incurred within a reasonable period of time before or after you took out the loan;
  - For education provided during an academic period for an eligible student.

Loans from the following sources are not qualified student loans.

- A related person.
- A qualified employer plan.

Prohibit claiming both  
Federally, whoever is legally obligated to make the loan payments gets the deduction

- Double Deduction for Interest: For the purposes of the federal student loan interest deduction, if a person is legally obligated to make interest payments and someone else makes a payment of interest on their behalf, the borrower is treated as receiving the payments from the other person and, in turn, paying the interest. In this case, both individuals will receive a deduction for the same interest.

only at Fed level? Bill says beneficiary can't claim  
Policy issue

- Double Benefit for Tuition: A Wisconsin subtraction may have been claimed by the student for tuition paid with the student loan. This bill allows a subtraction for the payment of the loan proceeds that were used to pay that tuition. Both the student and the person making the loan payment will receive a benefit for the same tuition expenses.

NOA

- Grammar Change on line 4 of the draft: Instead of "proceeds of which are used to pay tuition..." use "proceeds of which were used to pay tuition..."

- "Beneficiary" should be defined. It appears from the phrase, "beneficiary's attendance," that "beneficiary" refers to the student. However, when the student is not the borrower, the borrower could be considered the student loan beneficiary. Under current law, if a parent takes out a student loan on behalf of a child, the parent may claim the student loan interest deduction. It is also unclear whether spouses may claim a deduction under this bill for student loan payments when the other spouse was the student or the borrower.

Yeah, I can see that.

How? Bill says "beneficiary's attendance" - "elig. inst."

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

probably would if read literally - Pol. Ct. Reg 52

don't allow spouse to claim the subtraction for paying the other spouse's loans

Fixed by #1 - only applies to loans taken out by student

## Shovers, Marc

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**From:** Kuehl, Nicole M - DOR  
**Sent:** Friday, April 28, 2017 12:53 PM  
**To:** Shovers, Marc  
**Subject:** Add back

To avoid the double deduction for interest that can occur, the following add-back to income can be drafted into the bill (which reverses the federal deduction for the borrower/student). Upon audit, it would require the borrower/student to prove that the payer did not deduct the interest expense on their tax return, because DOR would not have information to know who the payer is.

Create sec. 71.05(6)(a) 29. to read:

The amount of student loan interest deducted under section 221 of the Internal Revenue Code, to the extent the student loan interest was also deducted under s. 71.05(6)(b)53., by an individual other than the taxpayer.

Nicole M. Kuehl  
Legislative Advisor  
Wisconsin Department of Revenue  
Office: (608) 266-7817  
Cell: (608) 417-9752  
[NicoleM.Kuehl@wisconsin.gov](mailto:NicoleM.Kuehl@wisconsin.gov)



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WISCONSIN LEGISLATIVE REFERENCE BUREAU

Information Services 608-266-0341—Legal Services 608-266-3561



1551/2

deduction for EEs too?

{ Require lenders to send forms out to anyone  
who pays student loan interest that specifies  
who paid <sup>principal</sup> what/interest



Richard A. Champagne, Chief and General Counsel  
Legal 608-266-3561 • Information 608-266-0341



One East Main Street, Suite 200 • P.O. Box 2037  
Madison, WI 53701-2037 • [www.legis.state.wi.us/lrb](http://www.legis.state.wi.us/lrb)

## MEMORANDUM

TO Representative Thiesfeldt

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

DATE March 20, 2017

SUBJECT Technical memorandum to **2017 unIntroduced** (LRB-1551/1) 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

March 17, 2017

**TO:** Marc Shovers  
Legislative Reference Bureau

**FROM:** Bob Schmidt  
Department of Revenue

**SUBJECT:** Technical Memorandum on LRB 1551/1: Relating to Creating an Individual Income Tax Deduction for Interest and Principal Paid on Student Loans

The Department has the following concerns related to the bill:

- "Loan" should be defined. Federal Publication 970, "*Tax Benefits for Education*," defines qualified student loan as a loan you took out solely to pay qualified education expenses that were:
  - For you, your spouse, or a person who was your dependent when you took out the loan;
  - Paid or incurred within a reasonable period of time before or after you took out the loan;
  - For education provided during an academic period for an eligible student.

Loans from the following sources are not qualified student loans.

  - A related person.
  - A qualified employer plan.
- Double Deduction for Interest: For the purposes of the federal student loan interest deduction, if a person is legally obligated to make interest payments and someone else makes a payment of interest on their behalf, the borrower is treated as receiving the payments from the other person and, in turn, paying the interest. In this case, both individuals will receive a deduction for the same interest.
- Double Benefit for Tuition: A Wisconsin subtraction may have been claimed by the student for tuition paid with the student loan. This bill allows a subtraction for the payment of the loan proceeds that were used to pay that tuition. Both the student and the person making the loan payment will receive a benefit for the same tuition expenses.
- Grammar Change on line 4 of the draft: Instead of "proceeds of which *are* used to pay tuition..." use "proceeds of which *were* used to pay tuition..."
- "Beneficiary" should be defined. It appears from the phrase, "beneficiary's attendance," that "beneficiary" refers to the student. However, when the student is not the borrower, the borrower could be considered the student loan beneficiary. Under current law, if a parent takes out a student loan on behalf of a child, the parent may claim the student loan interest deduction. It is also unclear whether spouses may claim a deduction under this bill for student loan payments when the other spouse was the student or the borrower.

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

**Barman, Mike**

---

**From:** Barman, Mike  
**Sent:** Monday, March 20, 2017 7:58 AM  
**To:** Rep.Thiesfeldt  
**Subject:** LRB-1551/1 (unintroduced) (FE by DOR - attached - for your review)

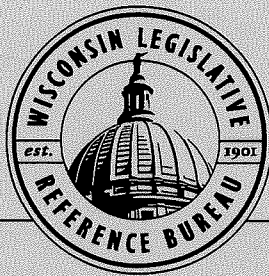


FE-1551\_DOR.pdf

Drafter: Marc Shovers, Senior Legislative Attorney, (608) 266-0129

*Mike Barman* (Lead Program Assistant)

State of Wisconsin - Legislative Reference Bureau - Legal Section - Front Office  
1 East Main Street, Suite 200, Madison, WI 53703  
(608) 266-3561 / [mike.barman@legis.wisconsin.gov](mailto:mike.barman@legis.wisconsin.gov)



## MEMORANDUM

**TO** Representative Thiesfeldt  
**FROM** LRB  
**SUBJECT** Fiscal estimate for LRB-1551/1

The fiscal estimate was prepared by DOR (agency abbreviation).

Fiscal estimate received from DOA and copy sent to requester via e-mail: **03/20/2017**

Per your request, the attached fiscal estimate was prepared for your un-introduced 2017 session draft.

If you have questions about attached fiscal estimate, you may contact the state agency representative who prepared the fiscal estimate. If you disagree with the enclosed fiscal estimate, please contact the LRB drafter of your proposal to discuss the options under the fiscal estimate procedure.

---

**TO** LRB Program Assistants

**SUBJECT** Fiscal estimate received for an un-introduced bill draft

- If redrafted, please insert this cover sheet and attached early fiscal estimate into the drafting file after the draft's old version (the version the fiscal estimate was based on) and before the redrafted version.
- If introduced, please make sure the attached fiscal estimate is for the current version. Write the draft's new introduction number below and give this packet to Mike or Lori to reprocess the fiscal estimate (with introduction number included).

**THIS DRAFT WAS INTRODUCED AS 2017** \_\_\_\_\_



## Fiscal Estimate Narratives

DOR 3/17/2017

LRB Number	17-1551/1	Introduction Number	Estimate Type	Original
<b>Description</b>				
Creating an individual income tax deduction for interest and principal paid on student loans				

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates an individual income tax deduction for amounts paid by a claimant during the year on a student loan (interest and principle) for expenses directly related to attendance at a regionally accredited, nonprofit, post-secondary educational institution. The deduction is not available to the beneficiary of the loan, but any individual other than the beneficiary may claim the deduction under the bill.

The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings account. In tax year 2017, the amount is \$3,140 per beneficiary (or \$1,570 if the claimant is married filing separately). This amount is indexed for inflation.

Based on student loan interest statements (form 1098-E) issued by lenders, a deduction for student loan interest and principal that is capped at the deductible amount of college savings accounts would reduce revenue by approximately \$40.6 million in fiscal year 2018 and \$41.9 million in fiscal year 2019, with similar annual amounts thereafter. However, the student loan interest statements do not indicate when a person other than the beneficiary makes a loan payment on behalf of the beneficiary. As such, the fiscal effect is unknown. The fiscal effect of the bill will depend on the extent to which non-beneficiaries make payments on behalf of beneficiaries and whether beneficiary refers to the student or the borrower. If one fourth of loan payments are made by persons other than the beneficiaries of the loans, the revenue loss from the subtraction would be approximately \$10.2 million in fiscal year 2018 and \$10.5 million in fiscal year 2019. To the extent that a smaller/larger share of the loans are paid by qualifying claimants, the fiscal effect would also be smaller/larger.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 17-1551/1		<b>Introduction Number</b>	
<b>Description</b> Creating an individual income tax deduction for interest and principal paid on student loans			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984		Robert Schmidt (608) 266-5773	3/17/2017



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-1551/1  
MES:jld

UARG  
MES  
RMR

2017 BILL

Fri.

X

negm

✓ and an add. back for certain federal deductions taken,

1 AN ACT to create 71.05 (6) (b) 53. of the statutes; relating to: creating an  
2 individual income tax deduction for interest and principal paid on student  
3 loans.

FNS 1-3 ✓

(student loan) ✓

*Analysis by the Legislative Reference Bureau*

student

taken out by a student

This bill creates an individual income tax subtract modification, or deduction, for interest or principal or both paid by a 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 a beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution. Any individual, other than the beneficiary, may claim the deduction under the bill. The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings program, or EdVest, account. Currently, this amount is \$3,000 per beneficiary per year, as modified by the contributor's filing status and as indexed for inflation.

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.

INS  
PML  
ARB ✓

student or the student's spouse

INS ✓  
ANL  
MES



**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:*

**SECTION 1.** 71.05 (6) (b) 53. of the statutes is created to read:

71.05 (6) (b) 53. Subject to the limit specified in this subdivision, any amount of interest or principal or both paid by a claimant, directly to the lender, in the year to which the claim relates on a loan, <sup>taken out by a student</sup> the proceeds of which are used to pay for tuition, fees, books, room and board, and educational supplies that are directly related to <sup>the student</sup> beneficiary's attendance at an eligible educational institution, as defined in s. 18.81 (2). Any individual, other than the <sup>student or the student's spouse</sup> beneficiary, may claim the subtraction under this subdivision. The maximum amount that a claimant may subtract each year under this subdivision, for each of the claimant's beneficiaries, is the same amount that may be subtracted by a contributor under subd. 32. a., subject to the same provisions related to filing status and indexing that apply under that subdivision, except that no carryover is allowed under this subdivision.

**SECTION 2. Initial applicability.**

(1) <sup>Fix component</sup> 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 after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)

The treatment of section 71.05 (6) (a) 29, and (b) 53, of the statutes  
 ↑ letter

INS 2-1A ✓  
 INS 2-1B1 ✓

4  
 5  
 6  
 7

number

2017-2018 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1551/2ins  
MES:jld

INS ANL

MES

~~NO~~ In addition, if the student loan<sup>✓</sup> interest deducted under the bill was also deducted by another individual on that other individual's federal income tax return, such a person must add to federal adjusted gross income the amount of the federal deduction claimed.<sup>✓</sup>

INS 2-1~~B~~

<sup>✓</sup>  
**SECTION 1.** 71.05 (6) (a) 29. of the statutes is created to read:

71.05 (6) (a) 29. The amount of student loan interest deducted under section 221 of the Internal Revenue Code,<sup>✓</sup> to the extent the student loan interest was also deducted under par. (b) 53,<sup>✓</sup> by an individual other than the taxpayer who claimed the subtraction under section 221 of the Internal Revenue Code.<sup>✓</sup>

1           **INSERT 1-3:**

2   (~~no~~ ~~¶~~) and requiring lenders to provide interest and principal information to persons  
3   from whom student loan payments are received ~~NO~~ ~~¶~~

4

5           **INSERT ANAL:** *ARG*

        The bill also requires lenders to track the source of student loan payments and  
to annually provide to each person from whom the lender received payment on a  
student loan a form that identifies the total amount of principal and the total amount  
of interest paid by the person on the student loan.

6

7

8           **INSERT 2-1:** <sup>A</sup>

9           **SECTION 1.** 39.54<sup>X</sup> of the statutes is created to read:

10          **39.54 Student loan payment information.** (1) In this section:

11          (a) "Lender"<sup>✓</sup> means any person engaged in the business of originating or  
12          servicing student loans.<sup>✓</sup>

13          (b) "Student loan"<sup>✓</sup> means a loan taken out by a student, the proceeds of which  
14          are used to pay for tuition, fees, books, room and board, and educational supplies that  
15          are directly related to a person's attendance at an eligible educational institution, as  
16          defined in s. 18.81 (2).<sup>✓</sup>

17          (2) (a) Lenders shall maintain a database<sup>✓</sup> identifying the source of payment  
18          received by the lender in connection with a student loan.

19          (b) By February 15, 2019<sup>✓</sup>, and by February 15 of each year thereafter, lenders  
20          shall provide to any person from whom the lender received payment on a student



1 loan during the immediately preceding calendar year a form that contains all of the  
2 following information: ✓

3 1. The name of the person who made the payment <sup>✓</sup> or <sup>✓</sup> payments.

4 2. The total amount of principal paid by the person on the student loan during  
5 the immediately preceding calendar year. ✓

6 3. The total amount of interest paid by the person on the student loan during  
7 the immediately preceding calendar year. ✓

8

9



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-1551/2  
MES&ARG:jld

3  
Hanner  
RNR

2017 BILL

SA✓

today

1 AN ACT *to create* 39.54, 71.05 (6) (a) 29. and 71.05 (6) (b) 53. of the statutes;  
2 relating to: creating an individual income tax deduction for interest and  
3 principal paid, and an add back for certain federal deductions taken, on student  
4 loans and requiring lenders to provide interest and principal information to  
5 persons from whom student loan payments are received.

**Analysis by the Legislative Reference Bureau**

This bill creates an individual income tax subtract modification, or deduction, for interest or principal or both paid by a claimant on a loan taken out by a student, the proceeds of which are used to pay for tuition, fees, books, room and board, and educational supplies that are directly related to a student beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution (student loan). Any individual, other than the student or the student's spouse, may claim the deduction under the bill. In addition, if the student loan interest deducted under the bill was also deducted by another individual on that other individual's federal income tax return, such a person must add to federal adjusted gross income the amount of the federal deduction claimed. The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings program, or EdVest, account. Currently, this amount is ~~\$2,000~~, per beneficiary per year, as modified by the contributor's filing status and as indexed for inflation.

The bill also requires lenders to track the source of student loan payments and to annually provide to each person from whom the lender received payment on a

ed.:  
only change → 3/00

**BILL**

student loan a form that identifies the total amount of principal and the total amount of interest paid by the person on the student loan.

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.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 39.54 of the statutes is created to read:

2           **39.54 Student loan payment information. (1)** In this section:

3           (a) “Lender” means any person engaged in the business of originating or  
4 servicing student loans.

5           (b) “Student loan” means a loan taken out by a student, the proceeds of which  
6 are used to pay for tuition, fees, books, room and board, and educational supplies that  
7 are directly related to a person’s attendance at an eligible educational institution, as  
8 defined in s. 18.81 (2).

9           **(2)** (a) Lenders shall maintain a database identifying the source of payment  
10 received by the lender in connection with a student loan.

11           (b) By February 15, 2019, and by February 15 of each year thereafter, lenders  
12 shall provide to any person from whom the lender received payment on a student  
13 loan during the immediately preceding calendar year a form that contains all of the  
14 following information:

15           1. The name of the person who made the payment.

16           2. The total amount of principal paid by the person on the student loan during  
17 the immediately preceding calendar year.

**BILL**

1           3. The total amount of interest paid by the person on the student loan during  
2 the immediately preceding calendar year.

3           **SECTION 2.** 71.05 (6) (a) 29. of the statutes is created to read:

4           71.05 (6) (a) 29. The amount of student loan interest deducted under section  
5 221 of the Internal Revenue Code, to the extent the student loan interest was also  
6 deducted under par. (b) 53., by an individual other than the taxpayer who claimed  
7 the subtraction under section 221 of the Internal Revenue Code.

8           **SECTION 3.** 71.05 (6) (b) 53. of the statutes is created to read:

9           71.05 (6) (b) 53. Subject to the limit specified in this subdivision, any amount  
10 of interest or principal or both paid by a claimant, directly to the lender, in the year  
11 to which the claim relates on a loan taken out by a student, the proceeds of which are  
12 used to pay for tuition, fees, books, room and board, and educational supplies that  
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14 institution, as defined in s. 18.81 (2). Any individual, other than the student or  
15 student's spouse, may claim the subtraction under this subdivision. The maximum  
16 amount that a claimant may subtract each year under this subdivision, for each of  
17 the claimant's beneficiaries, is the same amount that may be subtracted by a  
18 contributor under subd. 32. a., subject to the same provisions related to filing status  
19 and indexing that apply under that subdivision, except that no carryover is allowed  
20 under this subdivision.

21           **SECTION 4. Initial applicability.**

22           (1) The treatment of section 71.05 (6) (a) 29. and (b) 53. of the statutes first  
23 applies to taxable years beginning on January 1 of the year in which this subsection  
24 takes effect, except that if this subsection takes effect after July 31 this act first

**BILL**

**SECTION 4**

1 applies to taxable years beginning on January 1 of the year following the year in  
2 which this subsection takes effect.

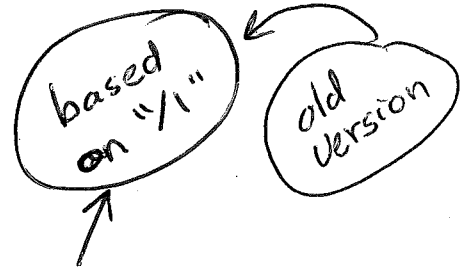
3 (END)



**Barman, Mike**

---

**From:** Shovers, Marc  
**Sent:** Monday, May 15, 2017 3:28 PM  
**To:** Barman, Mike  
**Subject:** Tech memo to LRB -1551



Hi Mike:

Could you please send <sup>a</sup> ~~another~~ electronic copy of DOR's tech. memo for this bill to Hariah in Rep. Thiesfedt's office?

Thanks,

Marc

Marc Shovers  
Senior Legislative Attorney  
Legislative Reference Bureau  
608-266-0129  
marc.shovers@legis.wisconsin.gov

## Barman, Mike

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**From:** Barman, Mike  
**Sent:** Tuesday, May 16, 2017 7:39 AM  
**To:** Hutkowski, Hariah  
**Subject:** Requested PDF of Tech. Memo attached



TM-1551\_DOR\_1...

WISCONSIN LEGISLATIVE REFERENCE BUREAU

Information Services 608-266-0341—Legal Services 608-266-3561



allow student & spouse to claim price of  
int -- but can't double count

no double benefit

{ can only claim for "additional  
payment", up to \$3100

see KRP's bill LAM; <sup>for Sen Feyen</sup> allow business  
entities & pass through entities

only what is beyond what student  
is req'd to pay -- "scheduled payment"

student must pay if amount &  
subtraction is available for amount  
anyone, incl student & spouse,  
pays over that amount.

Each person can pay up to \$3100/yr

do the same as EdUst -- \$3100 total  
\$3100 of beneficiaries / yr.

WISCONSIN LEGISLATIVE REFERENCE BUREAU

Information Services 608-266-0341—Legal Services 608-266-3561



4pm  
10:30 THURS.

~~Q) Who's the employer of record~~

URB 1551/3L  
any amount above "normal" payments  
is deductible up to \$3,100

Lender: make sure the base amount  
is paid

goal - pay debt more quickly

student & spouse may use deduction,  
as well

5/19/17

Mtg. w/ Hariah - Thiesfeldt  
Marie - Feyen

- want draft to apply to payments of additional principal and additional interest
  - said there is such thing as "additional interest" on a student loan, according to Rep. Thiesfeldt
  - apply to "above" normal scheduled payments → student or spouse has met the normal payment obligation on time
  - only track additional principal and interest from other than student or spouse
  - loan originator/service sends out notice if they can certify that normal payments were sent in by student, that student has met normal yearly payment obligation