AN ACT to create 39.54, 71.05 (6) (a) 29. and 71.05 (6) (b) 53. of the statutes;

relating to: creating an income tax deduction for interest and principal paid,
and an add back for certain federal deductions taken, on student loans and
requiring lenders to provide additional principal and interest information to
persons from whom student loan payments are received.

Analysis by the Legislative Reference Bureau
This bill creates an 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), but only
to the extent that such a payment exceeds the required, scheduled amount that must
be paid on the loan by the responsible party. Any person 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. The deduction created in the bill may not be claimed
for amounts that the claimant uses to calculate the itemized deductions credit or for
amounts that relate to tuition payments for which the claimant has already claimed a deduction under another provision of current law. Currently, this amount is $3,100 per beneficiary per year, as modified by the contributor’s filing status and as indexed for inflation.

The bill also requires lenders to provide a notice to each person from whom the lender received payments of additional principal or additional interest during a calendar year if 1) the lender received timely periodic payments on the student loan during the calendar year; and 2) the lender also received payments of additional principal or additional interest during the calendar year. The notice must be provided by February 15 following the end of the calendar year and must identify the total amount of additional principal and additional interest paid by the person on the student loan during the calendar year.

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:

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

39.54 Notice of student loan payments from source other than student.

(1) In this section:
(a) “Lender” means any person engaged in the business of originating or servicing student loans.
(b) “Student loan” means 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 person’s attendance at an eligible educational institution, as defined in s. 18.81 (2).

(2) If a lender has received timely periodic payments on a student loan during a calendar year and, during that calendar year, has also received payments of additional principal or additional interest from any person, then by February 15 of the following year the lender shall provide a notice to each person from whom the
lender received payments of additional principal or additional interest during that
calendar year. This notice shall include all of the following information:

(a) The name and address of the person who made the payment.

(b) The total amount of additional principal and additional interest paid by the
person on the student loan during the immediately preceding calendar year.

SECTION 2. 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, to the extent the student loan interest was also
deducted under par. (b) 53., by an individual other than the taxpayer who claimed
the subtraction under section 221 of the Internal Revenue Code.

SECTION 3. 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 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 the student beneficiary's attendance at an eligible educational
institution, as defined in s. 18.81 (2), but only to the extent that such a payment
exceeds the required, scheduled amount that must be paid on the loan by the
responsible party. Any person 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. No amount may be subtracted under this
subdivision by a claimant to the extent that the same amount is used to claim the
credit under s. 71.07 (5), or to the extent that the interest or principal relates to
tuition payments for which the claimant has claimed a subtraction under subd. 28.

SECTION 4. Initial applicability.

(1) The treatment of section 71.05 (6) (a) 29. and (b) 53. of the statutes 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.

(2) The treatment of section 39.54 of the statutes first applies with respect to
payments received during a calendar year that begins after the effective date of this
subsection.

(END)