



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0502/P3
MES:jld:rs

DOA:.....Quinn, BB0219 - Index for inflation the amounts in the tuition tax
subtract modification

FOR 2013-2015 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there is an individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or the claimant's dependent under the Internal Revenue Code, to attend an institution of higher education that is approved by the Educational Approval Board and that is located in Wisconsin, or to attend certain postsecondary schools in Minnesota to which the Minnesota-Wisconsin reciprocity agreement applies. The tuition expenses and fees for which a subtraction may be claimed are calculated based on the amount of tuition charged by the Board of Regents of the UW System at four-year institutions.

Also under current law, the subtraction that a claimant may claim for such tuition expenses and mandatory student fees is reduced as the claimant's annual federal adjusted gross income (FAGI) increases until, at a certain point, no subtraction may be claimed. Currently, the allowable subtraction phases out, for a single person or a married person filing as a head of household, as the claimant's FAGI increases from \$50,000 to \$60,000. Once such a claimant's FAGI exceeds \$60,000, he or she may not claim the subtraction. For a married person filing a joint

return, the phaseout occurs as the married couple's joint FAGI increases from \$80,000 to \$100,000, and no subtraction is allowed once the married couple's joint FAGI exceeds \$100,000. The phaseout for a married person filing a separate return occurs as the claimant's FAGI increases from \$40,000 to \$50,000, and no subtraction is allowed once the claimant's FAGI exceeds \$50,000.

Under this bill, the current law dollar amounts for the phase-out range, and the maximum income, are indexed for inflation, beginning with taxable year 2013.

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. 71.05 (6) (b) 28. i. of the statutes is created to read:

71.05 (6) (b) 28. i. For taxable years beginning after December 31, 2012, the dollar amounts in subd. 28. b., c., d., and g. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 2011, as determined by the federal department of labor, except that the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year. Each amount that is revised under this subd. 28. i. shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required

under this subd. 28. i. and incorporate the changes into the income tax forms and instructions.

(END)