WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO

2005 Assembly Bill 31	Assembly Substitute Amendment 1
***Memo published*: October 7, 2005**	***Contact*: Mary Matthias, Senior Staff Attorney (266-0932)**

Under **current law**, the State Treasurer administers a college savings program, commonly referred to as "EdVest II," under which anyone may open an account for a prospective student, regardless of the contributor's relationship to the beneficiary. Individuals may open accounts for themselves and a prospective student may be the beneficiary of more than one college savings account.

Contributions made to an EdVest II account, up to a limit of $3,000 each year for each beneficiary, may be deducted from a contributor's income in the calculation of his or her income taxes if the beneficiary of the account is one of the following: the claimant; the claimant's child and the claimant's dependent under the Internal Revenue Code; the claimant's grandchild; the claimant's great-grandchild; or the claimant's niece or nephew.

EdVest II is Wisconsin's version of a qualified tuition program that is authorized under federal law and is commonly referred to as a "section 529 plan."

Under **the bill**, the state income tax deduction for contributions to EdVest II, Wisconsin's section 529 plan, is expanded to apply to contributions to the section 529 plan of any state.

Instead of expanding the current deduction to apply to eligible contributions to any section 529 plans, **Assembly Substitute Amendment 1** (ASA 1) creates a nonrefundable individual income tax credit based on eligible contributions to the section 529 plan of any state. The credit is equal to the amount contributed, up to $3,000 per beneficiary, multiplied by the individual's marginal tax rate. As with the current deduction, the credit may be claimed only if the beneficiary of the account is one of the following: the claimant; the claimant's child and the claimant's dependent under the Internal Revenue Code; the claimant's grandchild; the claimant's great-grandchild; or the claimant's niece or nephew.

ASA 1 does not affect the current income tax deduction for amounts contributed to an EdVest II account. Under ASA 1, a person who made an eligible contribution to an EdVest II account could choose to claim either a deduction under the provision in current law, or the credit created by ASA 1.

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Under the substitute amendment, however, a claimant who claims the current law deduction for amounts that are paid into an EdVest II account may not also claim the credit created in the substitute amendment for the same contribution to EdVest II.

ASA 1 was offered by the Joint Committee on Finance on September 21, 2005. On September 26, 2005, Joint Finance recommended adoption of ASA 1 on a vote of Ayes, 9; Noes, 7, and recommended passage of the bill, as amended, on a vote of Ayes 9; Noes, 7.

MM:wu