



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2011 Assembly Bill 466

**Assembly
Amendment 1**

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Current federal law allows contributions to a Coverdell Education Savings Account up to \$2,000 per year for each beneficiary under age 18, which may be used for qualified elementary, secondary, and higher education expenses. The allowed contribution is reduced and phased-out based on the contributor's modified adjusted gross income. Under federal law the contributions are not tax deductible, but the account may grow tax-free, and distributions are not taxable if used for qualified educational expenses.

Wisconsin law does not treat a Coverdell Education Savings Account differently than any other investment. However, an income tax deduction is generally allowed for qualified higher education expenses.

2011 Assembly Bill 466 creates a Wisconsin income tax deduction for contributions to a Coverdell Education Savings Account, subject to the contribution limits and conditions specified in federal law.

Assembly Amendment 1 specifies that the general tax deduction for qualified higher education expenses is not allowed if the source of the funds was a distribution from a Coverdell Education Savings Account, for which a prior deduction had been claimed for contributions to that account.

LEGISLATIVE HISTORY

Assembly Bill 466 was introduced by Representative Thiesfeldt and others on January 9, 2012. Representative Thiesfeldt introduced Assembly Amendment 1 on February 2, 2012. On February 23, 2012, the Assembly Committee on Ways and Means adopted Assembly Amendment 1 on a vote of Ayes, 10; Noes, 0; and recommended passage of the bill, as amended, on a vote of Ayes, 9; Noes, 1.

SG:ksm