



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2011 Senate Bill 364

**Senate
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 Senate Bill 364 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.

Senate 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

Senate Bill 364 was introduced by Senator Grothman on January 5, 2012. On January 26, 2012, the Senate Committee on Financial Institutions and Rural Issues introduced and adopted Senate Amendment 1 on a vote of Ayes, 4; Noes, 1; and recommended passage of the bill, as amended, on a vote of Ayes, 5; Noes, 0.

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