



ALEX JOERS

WISCONSIN STATE REPRESENTATIVE
79TH ASSEMBLY DISTRICT

**Testimony of Representative Alex Joers - Committee on Ways and Means
AB 793: modifying the tax treatment of college savings accounts and the employee college
savings account contribution credit
January 4, 2023**

Chairman Macco and Members of the Committee:

Thank you for holding this public hearing on Assembly Bill 793. As one of the authors, I'm excited for this bill to have the opportunity to make higher education more attainable for Wisconsin's youth.

529 College Savings Programs, also known as Edvest or Tomorrow's Scholar, provide tax deductions to families saving for higher education expenses. This straightforward legislation would raise the amount that a contributor may claim as an income tax deduction to \$5,000, or \$2,500 for a married individual filing a separate return. Under current law, this maximum in 2023 is \$3,860 and \$1,930, respectively. By increasing the income tax deduction threshold we are making it easier and more affordable for families to contribute higher amounts to these accounts.

As you may know, withdrawals from these accounts are tax-free, as long as they are used for qualified educational expenses. In addition to this legislation allowing families to keep more of their hard-earned money in their own pocket, AB 793 expands the definition of qualified educational expenses to bring it in line with federal law.

Finally, this legislation would also increase the incentive for employers to contribute to employee's 529 accounts. Currently, employers may claim a tax credit worth up to 25% of the amount they contribute to an employee's 529 account, with a maximum of \$241 per employee. This bill would raise this maximum to 50% of the amount contributed, not exceeding \$800.

Currently, there are over 386,000 of these accounts in Wisconsin, encompassing \$6.6 billion in assets. By making it more affordable for families to invest in these types of accounts, we can encourage saving for the future. This creates another tool in the toolbox that takes a step towards making higher education more affordable in Wisconsin. Please join me in supporting AB 793.

AMY BINSFELD

STATE REPRESENTATIVE • 27TH ASSEMBLY DISTRICT

Testimony before the Assembly Committee on Ways and Means

Representative Amy Binsfeld

January 4, 2023

Good Morning Chair Macco and members of the Committee on Ways and Means.

Thank you for hearing my testimony on AB793 relating to investing for our children and their futures when it comes to attending college.

AB793 makes three changes to the Wisconsin 529 college savings plan, also known as Edvest or Tomorrow's Scholar.

AB 793 allows an increase up to \$5000 per year income tax deduction for a married couple. Next, it conforms the definition of "qualified higher education expense" to federal law which allows additional options for eligible expenses. Finally, there is a tax credit incentive that an employer can claim for their contributions to such accounts.

AB793 allows greater investing by parents and others who are involved in the lives of our children. These changes allow for the needed increases to keep up with the ever growing costs involved in sending our children to college. Another positive impact is the benefit to educate our future workforce, while minimizing the debt that our youth face upon graduation. Upfront planning by families will benefit in several areas. A family or employer sharing fiscal responsibility, shows another young person how to positively impact not only their future but the future generation they will guide. Young people with graduate degrees won't be saddled in a world of debt thus allowing them to start their careers and get ahead financially while feeling the self-worth to know their family showed fiscal responsibility in preparing them for the future.

These positive changes allow Wisconsin families and employers to benefit both with tax benefits and increase the education of our future workforce.

Thank you for your consideration on AB793 and I'm happy to answer any questions.



DIANNE H. HESSELBEIN

STATE SENATOR • SENATE DISTRICT 27

Testimony of Senator Dianne Hesselbein
Assembly Committee on Ways and Means

AB 793: modifying the tax treatment of college savings accounts and the employee college savings account contribution credit.

January 4, 2024

Chairman Macco and members of the Committee:

Thank you for holding a public hearing on Assembly Bill 793. I am proud to be an author of this important legislation and I want to thank Senator Cabral-Guevera and Representatives Binsfeld and Joers for bringing it forward.

I also want to thank the Department of Financial Institutions for their stewardship of this program and for their invaluable work on this legislation. I've been working on this with the department – and Rep. Joers -- since 2019 and hope this is the session we see it through.

This bill is a straightforward effort to modernize EdVest, our state's flagship opportunity for parents and others to invest literally in the future of our state: higher education for Wisconsin children. I'll keep my remarks brief but I hope you will support our effort to

- 1) Increase the amount parents can invest – and continue to allow that amount to adjust for inflation over time
- 2) Take advantage of federal changes that allow the programs to be used for other limited expenses – including – importantly – apprenticeships
- 3) Increase the benefit to businesses that choose to invest our state's future learners and leaders

With that I'll conclude my testimony and welcome any questions



RACHAEL A. CABRAL-GUEVARA

STATE SENATOR • 19TH SENATE DISTRICT

Testimony before the Assembly Committee on Ways and Means

Senator Rachael Cabral-Guevara

January 4, 2024

Hello, members of the Assembly Committee on Ways and Means. Thank you for allowing me to provide testimony on Assembly Bill 793, a bill that would expand and improve 529 education savings accounts.

Otherwise known under the program names of “Edvest” or “Tomorrow’s Scholar,” these education savings accounts are a critical tool for families to save for their kids’ college. Not only are contributions to these accounts deductible, withdrawals are also tax-free so long as it is used for an eligible purpose.

However, contribution deductions and credits have not kept up with the cost of education. This leaves families who need the most assistance picking up more and more of the bill.

This bill intends to bring relief to folks who are saving for their child’s education by doing three important things: increasing the maximum amount that can be deducted to \$5,000 (indexed for inflation), requiring the first-in, first out method of accounting for adding withdrawals to income, and brings Wisconsin law in line with federal law on the definition of “qualified higher education expense.”

All of these changes will not only let families save more, but also allow them to use these accounts for a broader set of education expenses, including apprenticeship expenses and loan repayments. This bill will also incentivize employers to contribute more to 529 accounts, upping the credit to 50% from 25% of maximum contributions.

I am hopeful you will support this important improvement to Wisconsin’s treatment of 529 savings accounts. These changes are straightforward fixes that will help folks with the ever increasing cost of education.



State of Wisconsin
Department of Financial Institutions

Tony Evers, Governor

Cheryll Olson-Collins, Secretary-designee

January 4, 2024

**Testimony from the Department of Financial Institutions Regarding
Assembly Bill 793**

Good afternoon, I am Catherine Haberland, the Assistant Deputy Secretary at the Department of Financial Institutions (DFI) and this is Jessica Wetzel, Director of the Office of Financial Capability at DFI, which oversees Wisconsin's 529 College Savings Program.

Chair Macco thank you for holding the hearing today on Assembly Bill 793 and for cosponsoring this bill. I appreciate the opportunity to testify in support of Assembly Bill 793. On behalf of the Department, I especially would like to thank Representative Joers for championing this bill and Representative Binsfeld for authoring the bill in the Assembly.

It's a well-known fact that education expenses have been increasing far more than inflation and it's getting more difficult to stay out of debt for these costs. Wisconsin's 529 College Savings Program was established to provide an important tool for individuals and families to help save for post-secondary education expenses. For more than five years now, DFI has been trying to make the changes that this bill addresses, to make it easier for Wisconsinites to save for education and career training expenses. I will turn now to Jessica to discuss a couple of the main points of this legislation.

AB 793 Main Points:

1. AB793 increases the tax-deductible amounts on contributions made to Wisconsin 529 plan from to \$2,500 and \$5,000. These numbers will be adjusted for inflation every year. This increase allows us to keep pace with the increasing cost of education by providing a much-needed boost to tax-deductible amounts that is not achievable through existing annual inflation adjustments. The higher amounts also align more closely with Wisconsin's neighbors. For example, Illinois allows \$10,000 for individual filers and \$20,000 for married couples filing jointly, and Michigan allows \$5,000 for individual filers, and \$10,000 for married couple filing jointly.
2. Additionally, AB793 streamlines the employer tax credit calculation and increases the maximum credit per employee to 50 percent of the amount the employer contributes to the 529 account, not exceeding a maximum credit of \$800, adjusted annually for inflation.

Under current law, the maximum credit per employee is "25 percent of the amount the employer contributes to the 529 account, up to a maximum contribution that is 25 percent of the maximum amount that an individual contributor may deduct under state law." The maximum credit is \$222.50 for 2022 and \$241.25 for 2023.

We believe a more straightforward employer tax credit calculation with a higher cap will compel more employers to help their employees save for higher education and career training

through direct contributions to an employee's Wisconsin 529 college savings plan.

For these reasons, we believe that passing AB793 will help improve participation in Wisconsin's 529 program and make it easier for Wisconsin employers to help their employees save for education and career training expenses.

Thank you for the opportunity to provide this testimony. We are happy to answer any questions the Committee may have.