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# Wisconsin Legislative Council

## INFORMATION MEMORANDUM

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IM-2020-16

### FINANCIAL AID FOR HIGHER EDUCATION

Wisconsin provides numerous forms of financial aid for higher education, including scholarships, grant and loan programs, and tax policies. Eligibility criteria for these financial aid programs are set by statute. The Higher Educational Aids Board (HEAB) has primary responsibility for administration of Wisconsin financial aid programs.

This information memorandum discusses state-funded financial aid programs only. Other financial aid may be available from the federal government, individual higher educational institutions, or private organizations.

### QUALIFICATIONS

Generally, a student must satisfy certain requirements in order to qualify for any of the Wisconsin state financial aid programs. With certain exceptions, a student must:

- Qualify as a resident of Wisconsin.
- Possess a high school diploma, GED, or other equivalent.
- Enroll in a degree or certificate program.
- Attend a nonprofit college or university located in Wisconsin.
- File the Free Application for Federal Student Aid (FAFSA). Paper applications are available from high school guidance offices or college financial aid offices. Students may file the FAFSA beginning on January 1, for the upcoming academic year. For more information regarding the FAFSA, see <https://fafsa.ed.gov>.
- Register with the Selective Service, if required to register.
- Not appear on the statewide child support lien docket.

[subch. III, ch. 39, Stats.]

### SCHOLARSHIPS

HEAB administers two scholarship programs on behalf of the state. The first program, the **Academic Excellence Scholarship Program**, provides scholarships of up to \$2,250 per year to the seniors with the highest grade point average from each high school in Wisconsin, including the Wisconsin Center for the Blind and Visually Impaired and the school operated by the Wisconsin Educational Services Program for the Deaf and Hard of Hearing, who enroll in a Wisconsin public or private institution of higher education. [s. 39.41, Stats.; ch. HEA 9, Wis. Adm. Code.]

The second program, the **Technical Excellence Higher Education Scholarship Program**, provides scholarships of up to \$2,250 to Wisconsin high school seniors with the

highest demonstrated level of proficiency in technical education subjects who enroll in a Wisconsin Technical College System (WTCS) institution. [s. 39.415, Stats.]

## GRANTS

The state provides grants through a number of higher education-related grant programs, including the following programs administered by HEAB:

- The **Talent Incentive Program (TIP) Grant** program, which provides grants of \$600 to \$1,800 to the most financially needy and educationally disadvantaged resident students enrolled in Wisconsin public or private nonprofit colleges and universities. [s. 39.435 (2), Stats.; ss. HEA 5.04 and 5.05, Wis. Adm. Code.]
- The **Wisconsin Grant** program, which provides grants of at least \$250, based on financial need, to undergraduate residents enrolled at least half-time in degree or certificate programs at University of Wisconsin System, WTCS, tribal institutions, or private nonprofit colleges or universities in Wisconsin. [ss. 39.30 and 39.435 (1), Stats.; chs. HEA 4 and 5, Wis. Adm. Code.]
- The **Hearing and Visually Impaired Student Grant** program, which provides grants of \$250 to \$1,800 to residents enrolled at least half-time at in-state or eligible out-of-state public or independent institution who show financial need and have severe or profound hearing or visual impairments. [s. 39.435 (5), Stats.; s. HEA 5.06, Wis. Adm. Code.]
- The **Indian Student Assistance Grant**, which provides grants of \$250 to \$2,200 per year to eligible residents who are at least 25% Native American or are recognized as a member of a tribe by the appropriate tribal government. [s. 39.38, Stats.; ch. HEA 6, Wis. Adm. Code.]
- The **Minority Undergraduate Retention Grant** program, which provides grants from \$250 to \$2,500 to eligible, resident minority undergraduates enrolled at least half-time in private nonprofit institutions, WTCS, or tribal institutions. [s. 39.44, Stats.; ch. HEA 12, Wis. Adm. Code.]
- The **Contract for Dental Education** program, which provides \$8,753 in tuition subsidization to a finite number of Wisconsin residents for the purpose of attending the Marquette University School of Dentistry. [s. 39.46, Stats.]
- The **Medical College of Wisconsin Capitation** program, which provides tuition assistance to Wisconsin residents enrolled full-time in the Doctor of Medicine (M.D.) program at the Medical College of Wisconsin. [s. 39.155, Stats.]

For more information regarding HEAB scholarship or loan programs, see <http://www.heab.state.wi.us/>.

## EDVEST

The EdVest College Savings Program is one of two Wisconsin “529 Plans” administered by the College Savings Program Board, which is attached to the Department of Financial Institutions. The second plan, called Tomorrow’s Scholar, offers similar options and benefits as EdVest but is only available through financial advisors and fee-only planners. A “529 Plan” is an education savings plan operated by a state or educational institution that offers certain tax advantages and is named after Section 529 of the Internal Revenue Code, which authorizes these types of savings plans. EdVest is managed by TIAA-CREF, a private financial services firm, and is

designed to encourage parents and others to save money for a child's future post-secondary education expenses.

Through EdVest, any person may open an account on behalf of a designated beneficiary. Contributions are placed in a trust fund established by the state and are directed into special investment portfolios designed and managed specifically for the program. Earnings in an account are not subject to federal and state income tax in Wisconsin, and may also be exempt from state income tax in other states. The funds may then be used to pay for qualified education expenses at any eligible school — including two- and four-year colleges, technical, vocational, and graduate schools.

Qualified withdrawals from EdVest are not subject to federal income tax. Wisconsin residents also owe no state income tax on qualified withdrawals. In 2020, a qualified taxpayer may deduct from his or her state taxable income up to \$3,340 per year per beneficiary for contributions paid into an EdVest account that remain in the account for at least 365 days. The base maximum contribution deduction is increased on an annual basis to reflect changes in the U.S. Consumer Price Index. Under certain circumstances, excess contributions may be carried forward to reduce state taxable income in subsequent tax years. [26 U.S.C. s. 529; ss. 71.05 (6) (a) 26. and (b) 31. and 32., and 224.50, Stats.; ch. DFI-CSP 1, Wis. Adm. Code.]

For more information regarding Wisconsin 529 Plans, see <https://www.edvest.com/> or <http://529.wi.gov/>.

## TAX TREATMENT

A Wisconsin taxpayer may deduct from his or her state taxable income certain higher education expenses for tuition and mandatory student fees incurred by the taxpayer or the taxpayer's dependent. Allowable expenses include tuition paid to any Wisconsin university, college, technical college, or school approved by the Educational Approval Program. The maximum amount of the deduction decreases as income increases and is eliminated when income exceeds a certain amount. The income phase-out levels are generally increased each year based on the increase in the U.S. Consumer Price Index. [s. 71.05 (6) (b) 28., Stats.]

A Wisconsin taxpayer may also be eligible for various federal tax benefits, including deductions for tuition and interest paid on student loans and tax credits. For more information regarding the options for education tax benefits, see the Department of the Treasury, Internal Revenue Service Publication 970 at: <https://www.irs.gov/pub/irs-pdf/p970.pdf> or search for "college tuition" at <https://www.revenue.wi.gov/>.

This information memorandum was prepared by Emily Hicks, Staff Attorney, and Dan Schmidt, Deputy Director, on November 10, 2020.