

STATE OF WISCONSIN

REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS

2013 ASSEMBLY BILL 491

[Introduced by Representatives Nygren, Brooks, Endsley, Kapenga, Kaufert, Knodl, Kooyenga, Lemahieu, Marklein, Murphy, Ohnstad, Strachota, Thiesfeldt and Ballweg; cosponsored by Senators Darling, Schultz and Petrowski.]

General Nature of Proposal

2013 Assembly Bill 491 makes several changes to the state's college savings program and the income tax deduction associated with the program, including:

- Revision to the program's exemption from garnishment to specify that an account is not subject to lien, levy, attachment, execution, or other process of law. Under current law, the program's exemption states that a beneficiary's right to qualified withdrawals is not subject to garnishment, attachment, execution, or other process of law.
- Creation of add-backs for purposes of calculating the state income tax for:
 - Any amounts of savings program distributions that were not used for qualified expenses, to the extent that the amount was previously claimed as a deduction, if the receipt of those amounts by the owner or beneficiary results in a penalty under federal law.
 - Amounts rolled over to a college savings program in another state, to the extent that the amount was previously claimed as a deduction.
- Extension of the two-year deadline for college savings program contributions to April 15 of the next year, subject to any applicable filing extensions.
- Expansion of the people who may contribute to college savings program accounts from "parents, grandparents, great grandparents, aunts and uncles" to "any individual."
- Creation of an inflation adjustment for annual contribution amounts.

Legality Involved

There are no issues of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

Generally, the Department of Revenue describes the fiscal effect of the bill as indeterminate, but expected to be minor. The department does, however, isolate the fiscal effect of the inflation adjustment as expected to reduce income tax revenue by approximately \$180,000 in tax year 2014.

Public Policy Involved

The bill is good public policy.

02/18/14

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