



**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

2001 Assembly Bill 298

**Assembly
Amendments 1 and 2**

Memo published: June 6, 2001

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Under *current law*, there is a college tuition and expenses program, commonly referred to as Edvest 1, under which a contributor may purchase “tuition units” that can be used to pay qualified educational costs on behalf of a beneficiary. The purchase of tuition units is limited to certain relatives, legal guardians, trusts created on behalf of a beneficiary, and individuals purchasing units for their own use. Under current law, there is also a college savings program, commonly referred to as Edvest 2, under which anyone may open an account for a prospective student, regardless of the contributor’s relationship to the beneficiary.

Contributions made to an account under either program, up to a limit of \$3,000 each year for each beneficiary, may be deducted from the contributor’s income for income tax purposes if the beneficiary of the account is either the claimant or the claimant’s dependent child.

2001 Assembly Bill 298 expands eligibility for the income tax deductions under both Edvest 1 and Edvest 2 to include the grandparents of a beneficiary. Thus, under the bill, a claimant may deduct from his or her taxable income amounts contributed to an Edvest account if the beneficiary of the account is the claimant’s grandchild, subject to the same limits that apply to such deductions under current law.

Assembly Amendment 1 establishes a \$3,000 per child cap on deductions which a parent may claim each year under the Edvest programs. Under current law, if a parent contributed \$3,000 to an Edvest 1 account and \$2,000 to an Edvest 2 account for one child, the parent could deduct \$5,000 from their income that year based on those contributions. Under Assembly Amendment 1, however, the parent would be limited to a \$3,000 deduction based on those contributions. Assembly Amendment 1 does *not* apply this limitation to claimants who contribute to their own accounts or to their grandchild’s accounts.

Assembly Amendment 1 was recommended for adoption by the Assembly Committee on Colleges and Universities by a vote of Ayes, 10, Noes, 0, on April 17, 2001.

Assembly Amendment 2 replaces Assembly Amendment 1. Assembly Amendment 2 clarifies that the deduction cap of \$3,000 per beneficiary, described above, applies to any claimant who contributes to more than one Edvest account on behalf of a single beneficiary, including a parent, a grandparent, or claimants who contribute to their own accounts.

The Assembly adopted both Amendment 1 *and* Amendment 2 on voice votes and passed the bill, as amended, on a vote of Ayes, 97, Noes, 0, on May 1, 2001.

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