WISCONSIN LEGISLATURE

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# Legislators Introduce Edvest Proposal to Help Families Save

MADISON – Representative Dianne Hesselbein (D-Middleton) and Senator LaTonya Johnson (D-Milwaukee) introduced legislation to help families save for higher education expenses through Wisconsin's 529 college savings plan, Edvest. Since 1997, students along with their families have used their savings and tax-free growth for tuition, fees, room and board, books, software, and computers at institutions in Wisconsin and nationwide. Unfortunately, the amount that a claimant may claim as a deduction has not been increased.

**"We are introducing this legislation to take a step forward in addressing college affordability for families in Wisconsin,"** said Representative Dianne Hesselbein. **"The good news is Wisconsin has a successful college savings plan that has been in place for over two decades, but now it is time to allow families to contribute more to their accounts as they see fit. We want to support our students in every way possible and expand the opportunity to pursue an affordable higher education."**

**"This legislation is another tool we have to help families across our state save for their children's future,"** said Senator LaTonya Johnson. **"These are simple changes that can be made to further maximize the benefits of a college savings plan. When we invest in our children, we are building a stronger foundation for Wisconsin. I hope to see this bill move through the legislative process so we can begin helping families prepare for the future."**

The bill, LRB-0463, makes the following changes to the state individual income tax treatment for contributions to and withdrawals from 529 accounts:

- Increases the maximum amount that may be deducted. Under current law, the maximum amount that a contributor may deduct is annually indexed for inflation and, in 2021, is $3,380, which is reduced to $1,690 for a married individual filing a separate return or, in the case of divorced parents, each former spouse. The bill increases these amounts to $5,000 and $2,500, which are indexed annually for inflation, and repeals the limitation for divorced parents.
- Requires the use of a first in, first out method of accounting for purposes of provisions in current law requiring that account withdrawals be added to income for state tax purposes and restricting carry-overs of contributions in excess of the maximum deduction threshold if the carry-over amount was withdrawn from the account within 365 days of being contributed.
- Conforms the definition of "qualified higher education expense" to federal law. In recent years, the federal definition of "qualified higher education expense" has been expanded to include tuition expenses for elementary and secondary schools, expenses for apprenticeship programs, and qualified education loan repayments. The bill conforms state law to the federal definition.
- Additionally, the bill modifies the tax credit that may be claimed by an employer for contributions to an employee's 529 account. 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. For 2021, the maximum credit is $211.25. Under the bill, the maximum credit per employee is 50 percent of the amount the employer contributes to the 529 account, not exceeding a maximum credit of $800, adjusted annually for inflation. The bill also specifies that sole proprietors may claim the credit and that the credit may only be claimed for a contribution to an employee's 529 account if the employee's compensation is reported, or required to be reported, on a W-2 form issued by the employer.

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