



2009 ASSEMBLY BILL 908

March 29, 2010 – Introduced by Representative HIXSON. Referred to Committee on Ways and Means.

1 **AN ACT** *to create* 71.07 (8e) and 71.10 (4) (cg) of the statutes; **relating to:**
2 creating a nonrefundable individual income tax credit for interest paid on
3 certain student loans.

Analysis by the Legislative Reference Bureau

Under federal law, there is deduction for up to \$2,500 in student loan interest paid in the year to which the claim relates for indebtedness incurred for educational expenses for a taxpayer, the taxpayer's spouse, or the taxpayer's dependent. This deduction applies for Wisconsin purposes as well.

This bill creates a nonrefundable individual income tax credit for interest payments paid by a claimant on a loan that is used for the educational expenses of the claimant, the claimant's spouse, or the claimant's dependent. Under the bill, the credit may be claimed for 50 percent of the interest paid by the claimant on a loan, the proceeds of which are used to pay for tuition, fees, books, room and board, and educational supplies that are directly related to the claimant's attendance, or the attendance of the claimant's spouse or dependent, at a regionally accredited, nonprofit, postsecondary educational institution.

Because the credit is nonrefundable, it may be claimed only up to the amount of a claimant's income tax liability. The credit may not be claimed by nonresidents or part-year residents of this state.

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.07 (8e) of the statutes is created to read:

2 71.07 (8e) EDUCATIONAL INTEREST EXPENSES TAX CREDIT. (a) *Definitions.* In this
3 subsection:

4 1. “Claimant” means an individual who files a claim under this subsection.

5 2. “Dependent” means an individual who is claimed by the claimant as a
6 dependent under section 151 (c) of the Internal Revenue Code

7 3. “Educational interest expenses” means any amount of interest paid on a
8 loan, the proceeds of which are used to pay for tuition, fees, books, room and board,
9 and educational supplies that are directly related to the claimant’s attendance, or the
10 attendance of the claimant’s spouse or dependent, at an eligible educational
11 institution, as defined in s. 18.81 (2).

12 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
13 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
14 amount of those taxes, 50 percent of the amount that the claimant pays for
15 educational interest expenses in the year to which the claim relates.

16 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
17 is claimed within the time period under s. 71.75 (2).

18 2. No credit may be claimed under this subsection by a part-year resident or
19 a nonresident of this state.

20 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
21 under that subsection, applies to the credit under this subsection.

