



State of Wisconsin
2017 - 2018 LEGISLATURE

LRB-1551/6
MES&ARG:jld&amn

2017 ASSEMBLY BILL 933

February 9, 2018 - Introduced by Representatives THIESFELDT, TUSLER, EDMING, E. BROOKS, SPIROS and HORLACHER. Referred to Committee on Ways and Means.

AUTHORS SUBJECT TO CHANGE

1 **AN ACT to create** 39.54, 71.05 (6) (a) 29. and 71.05 (6) (b) 53. of the statutes;
2 **relating to:** creating an income tax deduction for interest and principal paid,
3 and an add back for certain federal deductions taken, on student loans and
4 requiring lenders to provide additional principal and interest information to
5 persons from whom student loan payments are received.

Analysis by the Legislative Reference Bureau

This bill creates an income tax subtract modification, or deduction, for interest or principal or both paid by a claimant on a loan taken out by a student, the proceeds of which are used to pay for tuition, fees, books, room and board, and educational supplies that are directly related to a student beneficiary's attendance at a regionally accredited, nonprofit, postsecondary educational institution (student loan), but only to the extent that such a payment exceeds the required, scheduled amount that must be paid on the loan by the responsible party. Any person may claim the deduction under the bill. In addition, if the student loan interest deducted under the bill was also deducted by another individual on that other individual's federal income tax return, such a person must add to federal adjusted gross income the amount of the federal deduction claimed. The maximum annual deduction that a claimant may claim for each of his or her beneficiaries is the same amount as the maximum annual deduction that may be claimed for an amount contributed to a college savings program, or EdVest, account. The deduction created in the bill may not be claimed for amounts that the claimant uses to calculate the itemized deductions credit or for

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amounts that relate to tuition payments for which the claimant has already claimed a deduction under another provision of current law. Currently, this amount is \$3,100 per beneficiary per year, as modified by the contributor's filing status and as indexed for inflation.

The bill also requires lenders to provide a notice to each person from whom the lender received payments of additional principal or additional interest during a calendar year if 1) the lender received timely periodic payments on the student loan during the calendar year; and 2) the lender also received payments of additional principal or additional interest during the calendar year. The notice must be provided by February 15 following the end of the calendar year and must identify the total amount of additional principal and additional interest paid by the person on the student loan during the calendar year.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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.** 39.54 of the statutes is created to read:

2 **39.54 Notice of student loan payments from source other than student.**

3 **(1)** In this section:

4 (a) "Lender" means any person engaged in the business of originating or
5 servicing student loans.

6 (b) "Student loan" means a loan taken out by a student, the proceeds of which
7 are used to pay for tuition, fees, books, room and board, and educational supplies that
8 are directly related to a person's attendance at an eligible educational institution, as
9 defined in s. 18.81 (2).

10 **(2)** If a lender has received timely periodic payments on a student loan during
11 a calendar year and, during that calendar year, has also received payments of
12 additional principal or additional interest from any person, then by February 15 of
13 the following year the lender shall provide a notice to each person from whom the

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1 lender received payments of additional principal or additional interest during that
2 calendar year. This notice shall include all of the following information:

3 (a) The name and address of the person who made the payment.

4 (b) The total amount of additional principal and additional interest paid by the
5 person on the student loan during the immediately preceding calendar year.

6 **SECTION 2.** 71.05 (6) (a) 29. of the statutes is created to read:

7 71.05 (6) (a) 29. The amount of student loan interest deducted under section
8 221 of the Internal Revenue Code, to the extent the student loan interest was also
9 deducted under par. (b) 53., by an individual other than the taxpayer who claimed
10 the subtraction under section 221 of the Internal Revenue Code.

11 **SECTION 3.** 71.05 (6) (b) 53. of the statutes is created to read:

12 71.05 (6) (b) 53. Subject to the limit specified in this subdivision, any amount
13 of interest or principal or both paid by a claimant, directly to the lender, in the year
14 to which the claim relates on a loan taken out by a student, the proceeds of which are
15 used to pay for tuition, fees, books, room and board, and educational supplies that
16 are directly related to the student beneficiary's attendance at an eligible educational
17 institution, as defined in s. 18.81 (2), but only to the extent that such a payment
18 exceeds the required, scheduled amount that must be paid on the loan by the
19 responsible party. Any person may claim the subtraction under this subdivision. The
20 maximum amount that a claimant may subtract each year under this subdivision,
21 for each of the claimant's beneficiaries, is the same amount that may be subtracted
22 by a contributor under subd. 32. a., subject to the same provisions related to filing
23 status and indexing that apply under that subdivision, except that no carryover is
24 allowed under this subdivision. No amount may be subtracted under this
25 subdivision by a claimant to the extent that the same amount is used to claim the

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1 credit under s. 71.07 (5), or to the extent that the interest or principal relates to
2 tuition payments for which the claimant has claimed a subtraction under subd. 28.

3 **SECTION 4. Initial applicability.**

4 (1) The treatment of section 71.05 (6) (a) 29. and (b) 53. of the statutes first
5 applies to taxable years beginning on January 1 of the year in which this subsection
6 takes effect, except that if this subsection takes effect after July 31 this act first
7 applies to taxable years beginning on January 1 of the year following the year in
8 which this subsection takes effect.

9 (2) The treatment of section 39.54 of the statutes first applies with respect to
10 payments received during a calendar year that begins after the effective date of this
11 subsection.

12 (END)