



# DAN FEYEN

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## STATE SENATOR

18th Senate District  
(608) 266-5300  
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882  
<http://legis.wisconsin.gov/senate/18/feyen>

To: The Senate Committee on Revenue, Financial Institutions, and Rural Issues  
From: Sen. Dan Feyen  
Re: Senate Bill 75

Mr. Chairman, members of the committee, thank you for holding this hearing today.

Currently, individuals in Wisconsin who contribute to a 529 college savings account can deduct the contributions, up to \$3100 per beneficiary, from their adjusted gross income amount. This bill expands that ability to businesses. It would allow businesses to contribute to a college savings account for their employee or his/her child. In return, businesses would receive a 25%, non-refundable tax credit for, currently, up to \$3100 in contributions.

Rep. Kremer and I are also bringing forward an amendment to the committee today. The amendment does two main things:

- 1) Makes technical changes that DOR requested for the purposes of administering the program.
- 2) Expands the number of businesses who would be able to take advantage of the legislation's tax credit. You should also have a copy of a Legislative Council memo detailing this change.

With unemployment levels dropping in Wisconsin, this bill allows employers to have another benefit to incentivize potential employees and retain current employees. With Wisconsin's growing workforce shortage, any means we as legislators can provide to assist recruiting and retaining workers is important! With this proposal, employers would gain one more tool in their toolbox of benefits they can use to develop their workforce. I've had conversations with employers in my district who've indicated they would be very interested in potentially establishing a program for their employees and taking advantage of the credit if this proposal does become law.

With concerns about college debt growing nationwide, this bill gives parents and students another way to save money for their education. 529 college savings account are widely acknowledged as a great tool for putting money aside for future educational expenses. Expanding the number of people with a college savings account is a step in the right direction in my opinion.

I see this legislation as a two-pronged solution: increase the attractiveness of joining Wisconsin's workforce and reduce college debt. While we cannot know how many businesses will opt to participate, I feel confidently that with the competitive nature of attracting employees in Wisconsin, businesses will take advantage of the option we are giving them and in turn, our citizens will benefit.

Thank you for your time today. I welcome any questions you may have.



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ECONOMIC DEVELOPMENT WASHINGTON COUNTY

May 24, 2017

RE: Support Statement for SB 75

Good morning,

Thank you for the opportunity today to share with you unqualified and active support for SB 75, creating non-refundable corporate tax credits for employer contributions into qualifying employee college savings accounts.

My name is Christian Tscheschlok, Executive Director of Economic Development Washington County. EDWC is an independent economic development organization fueling growth businesses and industries for the creation of quality jobs and wealth in Washington County. We accomplish this through a focus on existing business development, engaging in driver-industry business attraction and supporting qualified start-up enterprises. The organization's clients are private and public decision-makers seeking the intelligence, funds and networks necessary to grow business.

Availability of skilled labor is now the second most important factor senior executives consider when making a choice on where to expand their businesses per Area Development's 31st Annual Corporate Survey. EDWC thus recognizes that the next front in the war for economic development will be fought largely around workforce...with those states and communities who successfully execute on dedicated strategies for training and preparing a nimble workforce claiming victory.

Wisconsin is unfortunately starting this battle at some level of disadvantage today given our population is the 5th "stickiest" in the nation. According to US Census Bureau data, just over 71% of Wisconsin's population currently living here was also born here. That puts us only behind Louisiana, Michigan, Ohio and Pennsylvania in terms of states where the population—and by extension the workforce—churns the least. We cannot therefore expect to win the workforce battle on a strategy of naturally attracting new workers from other states.

Instead, as we compete nationally for the same finite pool of capable workers, those who are already here or have made a choice to live here represent our first and last line of opportunity.

Our state thus cannot afford to leave anyone behind. In fact, we need to up our game by providing both our growth companies and their employees with the best opportunities possible to upgrade and continuously improve their skills. SB 75 not only removes barriers to securing the applied training required by today's growth companies by making education more affordable, it creates an environment of partnership between employers and



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employees so vital to ensuring both can compete and succeed in today's disruptive economy.

While the finite nature of our local workforce alone underscores the importance of ensuring everyone can meaningfully participate in our region's economic growth, the same Area Development corporate survey called special attention to unique growth potential headed our way, noting there is "renewed interest in the Midwest states with 13 percent of the new domestic facilities slated for this region." EDWC is seeing this manifest in our own project pipeline, which is the strongest it has been since 2010.

Those projects land where the workforce is appropriately skilled and available. SB 75 provides Washington County and the State of Wisconsin with maximum opportunity for all its working age citizens—regardless of background—to participate in and contribute to our communities' efforts to successfully compete for these limited projects while, as importantly, better support the capabilities of our driver industries and businesses already here.

EDWC is recognized statewide as a leader in fueling growth companies and winning impactful economic development deals. Our customers and talented team built this success by leveraging strong partners and executing on targeted strategies that support our region's driver industries. SB 75 is a critical element to both pursuits. We look forward to helping you in your efforts to make this a model approach to employer – employee partnership not just for the state, but for the nation.

Warm regards,

Christian Tscheschlok, CEcD  
Executive Director



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# JESSE KREMER

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STATE REPRESENTATIVE • 59<sup>TH</sup> ASSEMBLY DISTRICT

*Testimony before the Senate Committee on Revenue, Financial Institutions and Rural Issues  
State Representative Jesse Kremer  
May 23, 2017*

Good morning,

Thank you Revenue, Financial Institutions and Rural Issues Committee Members, and especially you, Chairman Marklein, for holding a hearing on the bill that we have titled the "Employee College Affordability Act".

The inspiration for this bill stemmed from a brainstorming meeting with the folks at Economic Development of Washington County (EDWC) in the fall of 2015. The goals of this legislation are three-fold:

1. With concerns about college debt growing nationwide, this bill gives parents and students another way to save money for higher education costs.
2. To allow employers an additional carrot to recruit and retain employees.
3. To assist individuals who feel as though they are stuck in a dead-end job an alternative path forward.

Allowing employers to contribute to a 529 plan and receive a benefit for doing so is not a new concept. It is being utilized in a smattering of states around the union. In 2013 the Wall Street Journal reported on Waco Oil & Gas in West Virginia and Dunn & Bradstreet Credibility Corporation in Malibu, California regarding their 529 match programs. Some states, including our neighbors to the south, Illinois, have been offering businesses a tax benefit to 529 employee plan contributions since 2009 and Nevada's recently went into effect in January of 2016.

Under our bill, Senate Bill 75, employers will be allowed to contribute to an individual's Wisconsin 529 account up to the maximum that is authorized – currently \$3100 for a married couple filing jointly. Unlike Illinois and Nevada law that allow businesses to take a 25% tax credit on every dollar contributed, up to \$500, our bill allows a non-refundable 25% tax credit on every dollar contributed up to the maximum annual allowance, or \$775 based on the \$3100 of someone who files jointly.

This is a common sense bill that has the unique opportunity to benefit two important stakeholders in Wisconsin; job creators and students. As we continue to seek out ways to promote growth and development in the private sector, tools such as Assembly Bill 108 create options that help entrepreneurs retain employees and expand their businesses. Many college students maintain multiple jobs to afford tuition, fees, and housing; having the ability to acquire additional financial assistance from the private sector while working their way through college is invaluable. The "Employee College Affordability Act" is a plus, not only for students and job creators, but for Wisconsin as a whole.

Thank you again for the opportunity to testify this morning and I encourage you to support Senate Bill 75.



## WISCONSIN LEGISLATIVE COUNCIL

*Terry C. Anderson, Director*

*Jessica Karls-Ruplinger, Deputy Director*

TO: REPRESENTATIVE JESSE KREMER

FROM: Scott Grosz, Principal Attorney

RE: Senate Amendment \_\_ (LRBa0046/P2) to 2017 Senate Bill 75

DATE: April 14, 2017

This memorandum responds to your request for information regarding 2017 Senate Bill 75, relating to creating a corporate income and franchise tax credit for amounts contributed by an employer into an employee's college savings account, and Senate Amendment \_\_ (LRBa0046/P2) to the bill. In particular, you asked about potential opportunities for abuse of the credit created by the bill, and whether the amendment would affect the potential for abuse. While "abuse" of a tax credit is often a subjective topic, you may wish to review the interaction between the proposed legislation and the existing tax preferences for contributions to college savings accounts.

### **BRIEF OVERVIEW OF COLLEGE SAVINGS ACCOUNTS**

Generally, current Wisconsin law allows for the creation of a college savings account on a tax-advantaged basis. Once created, any individual may make contributions to the account. Generally, contributions of \$3,100 (adjusted for inflation) per beneficiary may be deducted from the contributor's state taxable income each year. Additionally, account gains are excluded from income, and the account balance may be spent on qualified educational expenses without taxation. Wisconsin's college savings account program specifies a maximum account balance of \$456,000. While it may be typical to think of an account being created by a parent or grandparent for the benefit of a child or grandchild, an adult individual may also designate himself or herself as beneficiary. Also, an account's beneficiary may be changed to other eligible family members without tax penalty.

### **2017 SENATE BILL 75**

2017 Senate Bill 75 proposes the creation of a nonrefundable corporate income and franchise tax credit for amounts contributed by an employer to an employee's college savings

account. Under the bill, a corporate employer may claim a tax credit of 25% of the amount the employer contributes to a college savings account for the benefit of an employee, with a limit on the maximum contribution equal to 25% of the maximum amount that may be deducted as an individual contribution to a college savings account under current law.<sup>1</sup> The bill defines employee by cross reference to s. 71.63 (2), Stats., which states:

“Employee” means a resident individual who performs or performed services for an employer anywhere or a nonresident individual who performs or performed such services within this state, and includes an officer, employee or elected official of the United States, a state, territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of these entities. The term includes *an officer of a corporation*, an entertainer and an entertainment corporation, but does not include a direct seller who is not treated as an employee under section 3508 of the Internal Revenue Code or a real estate broker or salesperson who is excluded under s. 452.38. [Emphasis added.]

#### SENATE AMENDMENT — (LRBa0046/P2)

Senate Amendment \_\_ (LRBa0046/P2) extends the proposed tax credit for employer contributions to employees’ college savings accounts to an individual who is a partner of a partnership, member of a limited liability company, or shareholder of a tax-option corporation that is an employer that makes a contribution to an employee’s college savings account. Generally, the same restrictions that apply to the credit under the bill also apply under the amendment. The amendment also makes organizational changes to the structure of the individual and corporate credits.

#### DISCUSSION

As noted above, “abuse” of tax credits is often a subjective topic. Nonetheless, you may wish to review the potential interactions between the tax credit proposed under the bill and the amendment and the deductions for college savings accounts that are available under current law to ensure that your intent regarding those interactions is achieved.

In particular, the interactions available to closely held corporations and the officers of those corporations could allow opportunities for increased tax-advantaged contribution to the personal accounts of certain individuals. The “corporate” nature of the tax credit could allow the same individual to control the ability to contribute more tax-advantaged money to the same account as would otherwise be possible.

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<sup>1</sup> As with other compensation, employer contributions to a college savings account would be deductible business expenses to the employer.

For example, an individual who was a corporate employee and also the corporation's sole shareholder could direct the corporation to make a corporate contribution to his or her college savings account, for which the corporation would receive the tax credit; and also make a separate contribution in his or her individual capacity to the same account, for which the individual could claim the deduction available under current law. Similar activity could occur for a closely held family business that employs a child of the corporation's owner. This interaction is possible under the bill, but the amendment may increase the likelihood of its occurrence by broadening the types of business organizations that may claim the proposed credit.

If you have any questions, please feel free to contact me directly at the Legislative Council staff offices.

SG:jal