



# DALE KOOYENGA

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February 7, 2018

TO: Senate Committee on Revenue, Financial Institutions and Rural Issues  
FR: Representative Dale Kooyenga  
RE: support for Senate Bill 764 (Assembly Bill 910) – conformity to the Internal Revenue Code

Thank you for holding a hearing on this bill.

Senate Bill 764 (and Assembly Bill 910) will conform portions of the Wisconsin tax code with recent changes in the Internal Revenue Code (IRC) through the Federal Tax Cuts and Jobs Act. Conformity between the Wisconsin tax code and IRC reduces compliance costs and minimizes confusion for filers as it relates to tax compliance.

The Legislative Fiscal Bureau, working with the Department of Revenue, will continue to analyze the new federal tax provisions as they relate to state tax law. It is anticipated they will provide a comprehensive review of the impact on Wisconsin tax collections and opportunities to update Wisconsin statutes alongside the cost or benefit of adopting IRC conformity. There will be amendments to this bill as additional analysis of the federal tax provisions become available.

The following changes are included in the bill:

- 529 accounts – recent changes in the 529 plans at the federal level necessitate changes to the Wisconsin tax code. The 529 plan changes are beneficial because they give people more flexibility, allows the money to be used for qualified K-12 expenses and assists in identifying what are qualifying expenses.
- Student loan indebtedness – there are changes to student loan discharges. Under federal tax law, the forgiveness of student loans is not considered taxable income under certain circumstances. The federal tax code changes add additional circumstances that bring favorable changes to student loan discharges resulting from the student's death or permanent and total disability. The bill adopts the federal changes which ensure that these unfortunate life events do not lead to taxable income also under the Wisconsin tax code.
- Tax-exempt charitable organizations – changes regarding YMCAs in Wisconsin. The bill provides clarification to make sure that certain activities are not subject to sales tax putting a burden on an organization that serves our community and has been facing financial challenges.
- IRA – the bill adopts several changes to conform Wisconsin tax code to the IRC regarding IRAs.
- Miscellaneous other provisions that conform the Wisconsin income tax code to the IRC.

Overall this bill simplifies the tax filing process for both individuals and businesses in Wisconsin. Thank you for your attention to this legislation. I respectfully ask for your support of Senate Bill 764,



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# HOWARD MARKLEIN

STATE SENATOR • 17<sup>TH</sup> SENATE DISTRICT

**February 7, 2018**

## **Senate Committee on Revenue, Financial Institutions & Rural Issues Testimony on Senate Bill 764**

Good morning! Thank you committee members for hearing Senate Bill 764 (SB 764), that will conform portions of the Wisconsin tax code with recent changes in the Internal Revenue Code (IRC) through the Federal Tax Cuts and Jobs Act.

Conformity between the Wisconsin tax code and IRC reduces compliance costs and minimizes confusion for filers as it relates to tax compliance. I would like to thank Representatives Kooyenga, Macco, and Katsma, and Sen. Kapenga for working with me on this legislation. We have consulted with the Legislative Fiscal Bureau, and Department of Revenue, during the drafting of the proposal.

The main provisions of the bill include changes to:

529 accounts – recent changes in the 529 plans at the federal level necessitate changes to the Wisconsin tax code. The 529 plan changes are beneficial because they give people more flexibility, allows the money to be used for qualified K-12 expenses and assists in identifying what are qualifying expenses.

Student loan indebtedness – there are changes to student loan discharges. Under federal tax law, the forgiveness of student loans is not considered taxable income under certain circumstances. The federal tax code changes add additional circumstances that bring favorable changes to student loan discharges resulting from the student's death or permanent and total disability. The bill adopts the federal changes which ensure that these unfortunate life events do not lead to taxable income also under the Wisconsin tax code.

Tax-exempt charitable organizations – changes regarding YMCAs in Wisconsin. The bill provides clarification to make sure that certain activities are not subject to sales tax putting a burden on an organization that serves our community and has been facing financial challenges. Provides clarification for charitable organizations which contribute their property to a title holding company (a section 501(c)(2), which distributes income only to charitable organization to hold the real estate for a new market tax credit.

IRAs – the bill adopts several changes to conform Wisconsin tax code to the IRC regarding IRAs.

Overall this bill simplifies the tax filing process for both individuals and businesses in Wisconsin.

Thank you again for allowing me the opportunity to testify in support of this bill, and I welcome any questions.