
Wisconsin Legislative Council

ACT MEMO



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2023 Wisconsin Act 148
[2023 Assembly Bill 793]

**College Savings Programs and
Accounts**

2023 Wisconsin Act 148 makes various changes to the state's college savings programs, as well as to the employee college savings account contribution tax credit.

EMPLOYEE COLLEGE SAVINGS ACCOUNT CONTRIBUTION TAX CREDIT

With respect to the employee college savings account contribution tax credit, under prior law, a qualified employer was eligible to claim an income tax credit for an amount equal to 25 percent of the amount the employer contributes to an employee's college savings account, subject to a maximum that is 25 percent of the maximum amount for which an individual contributor to a college savings account may claim as a deduction. Act 148 revises the maximum employee college savings account contribution credit to be 50 percent of the amount the employer contributes, not to exceed \$800, adjusted for inflation. The act also permits the credit to be claimed by a sole proprietor, and specifies that credits may be claimed only for employees whose compensation is reported, or required to be reported, on a W-2 form.

COLLEGE SAVINGS PROGRAMS

With respect to the treatment of the state's college savings programs, Act 148 revises certain references to federal law to more accurately reflect the state's prior conformation to the federal definition of qualified higher education expenses. The act also amends the administration of college savings accounts to require the use of a first-in, first-out accounting method for account withdrawals and restrictions on carry-overs of contributions. Additionally, the act increases the maximum amount of account contributions that may be deducted for state individual income tax purposes to \$5,000, indexed for inflation, or \$2,500, indexed for inflation, for a married individual filing a separate return, and repeals the contribution limitation for divorced individuals.

Effective date: March 23, 2024

Initial Applicability: The act's adoption of federal definitions of qualified higher education expenses relating to certain add-back and carry-over provisions of state law are retroactive to taxable years beginning after December 31, 2017 or December 31, 2018, while other provisions of the act first apply to taxable years beginning on January 1, 2024.

For a full history of the bill, visit the Legislature's [bill history page](#).

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