



JESSE KREMER

STATE REPRESENTATIVE • 59TH ASSEMBLY DISTRICT

Testimony before the Assembly Committee on Ways and Means
State Representative Jesse Kremer
May 9, 2017

Good morning,

Thank you Ways and Means Committee Members, and especially you, Chairman Macco, 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, Assembly Bill 108, 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 Assembly Bill 108.



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To: The Assembly Committee on Ways and Means
From: Sen. Dan Feyen
Re: Assembly Bill 108

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.



Members of the Committee of Ways and Means,

I applaud the lawmakers who have endorsed Assembly Bill 108. In 2014, the Wisconsin legislature took action to open 529 plans to more funding opportunities. I have worked with James DiUlio, Director Wisconsin 529 College Savings Plan, to encourage Voya Financial to remove the Voya limitations which are in conflict with the 2014 intentions. In my practice as a financial planner, the use of Tomorrow's Scholar or Edvest is critical to achieving my client's educational goals. As is known by this committee, the beneficiaries are the client's children, grandchildren, nieces and nephews, adults funding their own higher education and hopefully, if this bill is passed, businesses funding their employees career growth or retaining employees through a new employee benefit.

As sole proprietors, both my wife and I have earned a master's degree and a master's level designation with the aid of Tomorrow's Scholar. Extending education tax deductions to business owners will allow Wisconsin business owners to advance in their careers, just as my wife and I have. Currently, the sole proprietor has a tax advantage over a partnership or corporation. Additionally, there is a need for skilled workers in almost all trades. This bill provides business owners a tax incentive to advance employees with strong soft skills into skilled positions such as welders, electricians, plumbers, mechanics, and a longer list of jobs which require vocational training through a school of higher education. The income tax relief provided through section 529 should be extended to business owners.

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Business owners also compete for skilled workers. The loss of a valued employee to another business owner is not only costly economically but depletes corporate moral. Through this bill, business owners will have a tax incentivized employee benefit helpful for retaining employees.

Several of my clients are the owners of closely held businesses with retained earnings. These retained earnings are held by a corporation where the owner does not want to withdraw the funds and pay high taxes on profits earned through their hard work. For those owners who are charitably minded we have been able find tax efficiency when charities are funded directly by the corporation. This avoids FICA and Medicare taxes which is not reimbursed through the federal and state income tax charitable deduction. When these profits are used to fund a section 529 plan, not only is there the same incentive of tax efficiency but a tax deduction also. Corporate earnings could now be used to fund advanced education in a tax efficient means.

Through this amendment, business owners can more easily increase their skills to match their growing businesses or the competitive market, the needs of Wisconsin's businesses for trained employees can be met, the stability of employees encouraged to work for the same employer is gained, and tax efficiencies for owners wanting to be benefactors to children, grandchildren or the under privileged are made available. As a wealth manager, a motif used to challenge my clients is, "The more you now, the more you grow." This is true for all citizens.

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ECONOMIC DEVELOPMENT WASHINGTON COUNTY

May 9, 2017

RE: Support Statement for AB - 108

Good morning,

Thank you for the opportunity today to share with you unqualified and active support for AB-108, 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. AB-108 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 employees so vital to ensuring both can compete and succeed in today's disruptive economy.



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WASHINGTON COUNTY

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. AB-108 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. AB-108 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