



WISCONSIN FAMILY COUNCIL
Marriage|Family|Life|Liberty

PO Box 2075 • Madison WI 53701-2075
608-256-3228 (Madison) • 888-378-7395 (toll-free) • 608-256-3370 (fax)
Email: info@wifamilycouncil.org
Web site: www.wifamilycouncil.org

WISCONSIN'S NEW "TUITION EXPENSES" TAX DEDUCTION

In the 2013-2015 Wisconsin State Budget, the governor and the state legislature approved a "tuition expenses" tax deduction for parents who send their children to private schools in Wisconsin. (Wis. Stat. § 71.05 (b) 49)

The basics about the deduction

- The tax deduction is in effect beginning January 2014, which means "tuition expenses" paid in 2014 for the 2013-2014 school year are eligible, as are "tuition expenses" paid in 2014 for the 2014-2015 school year. **Parents will take the deduction when they file their 2014 taxes between February and April 15 of 2015.**
- Parents may deduct a *maximum* of **\$4,000** for "tuition expenses" for each of their children that are enrolled and for whom they have paid tuition as an **elementary student** in a private school in Wisconsin. **Elementary** is defined as a student in grades Kindergarten through Grade 8.
- Parents may deduct a *maximum* of **\$10,000** for "tuition expenses" for each of their children that are enrolled and for whom they have paid tuition as a **secondary student** in a private school in Wisconsin. **Secondary** is defined as a student in grades 9-12.
- If an elementary student in 8th grade "graduates" to secondary student status at the conclusion of the 2013-2014 school year and then in the fall enters 9th grade, **parents can claim only one grade in any taxable year.** This means the parents would have to decide which grade they wish to claim on their income tax filing. Assuming tuition payments are made monthly, it would presumably make more sense to claim the secondary grade, if the tuition payments are higher for the secondary enrollment than they were for the elementary enrollment. (For example, there would be elementary student tuition payments for Jan-May and secondary tuition payments for Aug-Dec. A parent would be best served to choose the payments and grade designation that is the highest, **up to the maximum allowed** for each level.)

Some details

- Parents must be able to show the State of WI "tuition expenses" receipts as proof of their having actually paid those expenses in the event they are audited.
- The State of Wisconsin Department of Revenue has reported that books and fees paid as a part of the education program will be included in "tuition expenses." The only expense not covered is lodging (as in boarding schools).

Recommendations and reminders

- Parents should **request and keep receipts** for **all** "tuition" and other expenses/fees paid to the private school/s their children attend.
- Parents **may only deduct the actual "tuition expenses"** they paid, up to the \$4,000 and \$10,000 thresholds. If those actual expenses for an elementary student were \$3,000, then that is the amount the parents can deduct on their income taxes. If the actual expenses for a secondary student were \$5,000, then that is the amount the parents can deduct.
- Parents who use a tax service to do their taxes should be sure their preparer knows about this deduction.
- This is **not** a tax credit. Parents will **not** receive a check from the state of Wisconsin. This is a tax **deduction**, which means it reduces a family's taxable income and likely increases any refund the taxpayer would receive or reduces the amount of money the taxpayer owes the State of Wisconsin.

- This information is intended to be helpful and informative; it is not prepared by legal or tax experts. If parents have any questions as they are preparing their taxes, they should consult a tax specialist. *Wisconsin Family Council and/or Wisconsin Association of Christian Schools assume absolutely no legal liability or responsibility in any form for any taxes filed or anything related to any person's or any organization's taxes or tax filings.*

Examples of how the “tuition expenses” tax deduction can impact taxes

Assumptions/definitions:

- Parents are filing “Married, filing jointly”
- Rates used are from 2013 Wisconsin tax tables. 2014 rates may be different.
- AGI = Adjusted Gross Income (One’s income after deductions; that is, one’s taxable income)

\$30,000 AGI before applying tuition deduction **State tax would be \$1,555** (2013 rates)

\$30,000

- \$4,000 (tuition expenses for 1 elementary student – assuming eligible for maximum)

\$26,000 AGI after tuition deduction **State tax would be \$1315** (2013 rates)

Net tax savings: \$240

\$50,000 AGI before applying tuition deduction **State tax would be \$2809** (2013 rates)

\$50,000

- \$10,000 (tuition expenses for 1 secondary student – assuming eligible for maximum)

\$40,000 AGI after tuition deduction **State tax would be \$2182** (2013 rates)

Net tax savings: \$627

\$40,000 AGI before applying tuition deduction **State tax would be \$2182** (2013 rates)

\$40,000

- \$3,000 (actual tuition expenses for 1 elementary student)

- \$8,000 (actual tuition expenses for 1 secondary student)

\$29,000 AGI after tuition deductions **State tax would be \$1492** (2013 rates)

Net tax savings: \$690

\$80,000 AGI before applying tuition deduction **State tax would be \$4690** (2013 rates)

\$80,000

- \$7,500 (actual tuition expenses for 3 elementary students, figured at per-student average of \$2,500)

\$72,500 AGI after tuition deductions **State tax would be \$4219** (2013 rates)

Net tax savings: \$471