



## 2011 SENATE BILL 364

January 5, 2012 - Introduced by Senator GROTHMAN, cosponsored by Representatives THIESFELDT, JACQUE, KERKMAN, PRIDEMORE, BROOKS, SPANBAUER, T. LARSON, NYGREN, LEMAHIEU, MOLEPSKE JR and KNODL. Referred to Committee on Financial Institutions and Rural Issues.

1     **AN ACT to create** 71.05 (6) (b) 48. of the statutes; **relating to:** creating an  
2           individual income tax deduction for certain contributions to a Coverdell  
3           Education Savings Account.

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### *Analysis by the Legislative Reference Bureau*

This bill creates an an individual income tax deduction for any amount contributed to a Coverdell Education Savings Account (CESA), in the year in which the contribution is made, subject to the limits and conditions specified in federal law for contributions to a CESA. Currently, the maximum allowable contribution to a CESA is \$2,000 each year per beneficiary, although that contribution amount phases down as a contributor's modified adjusted gross income (MAGI) increases from \$95,000 to \$110,000, or from \$190,000 to \$220,000 for a married couple filing jointly. No contributions are allowed once a contributor's MAGI is above the phase-out range.

Under federal law, contributions to a CESA must be made in cash, are not tax deductible, and may not be made once the beneficiary reaches the age of 18. The accounts themselves are exempt from taxation, and the proceeds of an account must be used for qualified education expenses, as defined under federal law, for a designated beneficiary. Qualified education expenses include certain elementary, secondary, and higher education expenses.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

