



State of Wisconsin
2025 - 2026 LEGISLATURE

LRB-1242/1
KP:amn&cdc

2025 BILL

- 1 **AN ACT** *to create* 71.05 (6) (b) 57. of the statutes; **relating to:** an income tax
- 2 subtraction for payments on education loans.

Analysis by the Legislative Reference Bureau

This bill creates an individual income tax subtraction, or deduction, for principal or interest paid on qualified education loans, to the extent that the claimant has not withdrawn the payment from a college savings account or has not already deducted the interest payment from the claimant's gross income. The bill limits the amount of the deduction to \$5,130 for the 2026 tax year, and the Department of Revenue must annually adjust the limit based on the rate of inflation. Under current federal and state law, a claimant may deduct up to \$2,500 of qualified education loan interest paid per year, and the maximum deduction amount is phased down to zero as the claimant's income rises to the annual income limit that is set under federal law.

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.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

BILL**SECTION 1**

1 **SECTION 1.** 71.05 (6) (b) 57. of the statutes is created to read:

2 71.05 **(6)** (b) 57. For taxable years beginning after December 31, 2025, an
3 amount paid in the taxable year by a claimant as principal or interest on any
4 qualified education loan, as defined in section 221 (d) of the Internal Revenue Code,
5 of the claimant, calculated as follows:

6 a. Except as otherwise provided in this subdivision, an amount equal to not
7 more than \$5,130. For taxable years beginning after December 31, 2026, the dollar
8 amounts in this subd. 57. a. shall be increased each year by a percentage equal to
9 the percentage change between the U.S. consumer price index for all urban
10 consumers, U.S. city average, for the month of August of the previous year and the
11 U.S. consumer price index for all urban consumers, U.S. city average, for the month
12 of August 2025, as determined by the federal department of labor, except that the
13 adjustment may occur only if the resulting amount is greater than the
14 corresponding amount that was calculated for the previous year. Each amount that
15 is revised under this subd. 57. a. shall be rounded to the nearest multiple of \$10 if
16 the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of
17 \$5, such an amount shall be increased to the next higher multiple of \$10. The
18 department of revenue shall annually adjust the changes in dollar amounts
19 required under this subd. 57. a. and incorporate the changes into the income tax
20 forms and instructions.

21 b. No subtraction may be allowed under this subdivision for any amount that
22 is withdrawn from a college savings account, as described in s. 224.50.

23 c. No subtraction may be allowed under this subdivision for any amount the
24 claimant deducts from gross income for interest paid on a qualified education loan

BILL

1 under section 221 of the Internal Revenue Code in the claimant's calculation of
2 federal adjusted gross income in the year to which the claim relates.

3 (END)