

Schedule CS Instructions

College Savings Accounts (Edvest and Tomorrow's Scholar)

Purpose of Schedule CS

Wisconsin provides a subtraction from income for amounts contributed to the Wisconsin state-sponsored college savings program. There are two Wisconsin plans that qualify for the subtraction, Edvest and Tomorrow's Scholar.

The Edvest and Tomorrow's Scholar programs are both a qualified tuition program (QTP) under the federal Internal Revenue Code. They are also called "529 plans."

Who Must File Schedule CS

Schedule CS must be filed by persons who:

- Claim a subtraction from income for contributions to an Edvest or Tomorrow's Scholar account, or
- Received a distribution from an Edvest or Tomorrow's Scholar college savings account that was not used for qualified higher education expenses, or
- Rolled over an amount from an Edvest or Tomorrow's Scholar college savings account into another state's qualified tuition program, or
- Using a first-in, first-out method, received a distribution from an Edvest or Tomorrow's Scholar account within 365 days after the date the contribution was made. You must complete Schedule CS even if the contribution and withdrawal are made in the same taxable year.

Note: If you have more than one Edvest or Tomorrow's Scholar account, complete a separate Schedule CS for each account with different beneficiaries.

General Instructions

When can contributions be made? Contributions to an Edvest or Tomorrow's Scholar college savings account for 2016 must be made during 2016 or on or before April 18, 2017. For contributions made between January 1, 2017 and April 18, 2017, be sure they are identified as 2016 contributions if that is your intent. Otherwise they will be considered 2017 contributions. (**Note** If you file your return on a fiscal-year basis, the last day for making contributions is the 15th day of the 4th month beginning after the close of the taxable year. If any due date falls on a Saturday, Sunday, or legal holiday, use the next business day.)

Who can contribute to an account? The owner of an Edvest or Tomorrow's Scholar account may contribute to the account. The owner of the account may also authorize any other person to contribute to the account.

May I subtract my contribution to the Edvest or Tomorrow's Scholar account from income? You may be able to subtract the amount you contributed to an Edvest or Tomorrow's Scholar account if you are the owner of the account or were authorized by the owner to make contributions to the account. The subtraction is equal to the amount you contributed to the account for 2016, but not more than \$3,100 per beneficiary (\$1,550 per beneficiary if you are married filing a separate return or a divorced parent).

The total subtraction for a married couple may not exceed \$3,100 per beneficiary.

Example: You are married filing a joint return and have two children. You established an Edvest or Tomorrow's Scholar account for each child. For 2016, you contributed \$3,100 to the account of each child. You may claim a subtraction of \$6,200.

In the case of divorced parents, the total subtraction per beneficiary by the formerly married couple may not exceed \$3,100, and the maximum amount that may be subtracted by each former spouse is \$1,550, unless the divorce judgment specifies a different division of the \$3,100 maximum.

Your subtraction is also limited in that it cannot reduce your Wisconsin income to less than zero. Part-year residents and nonresidents are required to prorate the credit.

Specific Instructions

Part I Owners of the Edvest or Tomorrow's Scholar account

Complete Part I if you are the owner of the Edvest or Tomorrow's Scholar account.

Line 1 Fill in the name of the beneficiary of the account.

Line 2 Fill in the amount you contributed to the account for 2016. (See "When can contributions be made?")

CAUTION If you contributed an amount to an Edvest or Tomorrow's Scholar account between January 1, 2016, and April 18, 2016, and the amount was included as a contribution on your 2015 Schedule CS, do **not** include that amount as a contribution on your 2016 Schedule CS. Contributions may be subtracted only once.

If you rolled over an amount from another state's qualified college savings account to an Edvest or Tomorrow's Scholar account during 2016, include on line 2 the amount of principal rolled over. Do not include any earnings rolled over on line 2. If you rolled over the amount from another state's qualified college savings account to an Edvest or Tomorrow's Scholar account between January 1, 2017, and April 18, 2017, you may treat the principal amount rolled over as a contribution for either 2016 or 2017 (but not both years).

Line 5 Complete line 5 only if the amount on line 4 is less than \$3,100 (\$1,550 if married filing a separate return or a divorced parent) and you have a carryover from line 34 of 2015 Schedule CS. Otherwise, skip line 5 and fill in the amount from line 4 on line 6.

The amount to fill in on line 5 is the smaller of the following:

- \$3,100 (\$1,550 if married filing separate or a divorced parent) less the amount on line 2 of Schedule CS, or
- The amount of your carryover from line 34 of **2015** Schedule CS for this beneficiary.

Example: You are married filing a joint return. For 2016, you contributed \$2,000 to the Edvest account for your child. The maximum amount that you may subtract for 2016 is \$3,100. You have a carryover of an excess contribution from 2015 of \$5,000. The amount to include on line 5 as a carryover from 2015 is \$1,100 (\$3,100 - \$2,000 = \$1,100).

Assume in this example your child was from a former marriage. In that case, the maximum amount that you may subtract for that child is \$1,550. You would then have an excess contribution

of \$450 (\$2,000 - \$1550 = \$450) for 2016 to carry forward to future years. You cannot use any amount of your carryover from 2015 on your 2016 return.

Line 6 To determine your allowable subtraction, complete the following steps:

Step 1 Add amounts on lines 4 and 5 of Schedule CS (lines 15 and 16 if completing Part II).

Full-year Wisconsin residents –

Step 2 Your subtraction is equal to the smaller of:

- The amount determined in Step 1, or
- The amount on line 5 of **Form 1** less the amounts on lines 6-10 and less all amounts that will be included on line 11 without considering the subtraction for contributions to the Edvest or Tomorrow's Scholar account.

Fill in the amount of your subtraction on line 6 of Schedule CS and line 11 of Form 1 using Code 14.

CAUTION If your subtraction is limited due to income level, you will need to adjust lines 3 through 7 of Part I or lines 14 through 18 of Part II in order to determine the correct amount of carryover used for 2016 or that may be allowed for future years. Even if you did not have a carryover from 2015, you must adjust Parts I or II as in some cases this may result in a carryover. To make this adjustment,

- Fill in the limited amount determined above on lines 3 and 6 (lines 14 and 17 of Part II).
- Complete line 4 (or line 15).
- Complete line 5 (or line 16) if the amount on line 4 (or line 15) is less than the amount on line 3 (or line 14) and you have a carryover from line 34 of 2015 Schedule CS. The amount to fill in on line 5 (or line 16) is the amount on line 3 less the amount on line 2 of Schedule CS (or line 14 less the amount on line 13).
- Complete line 7 (or line 18) if appropriate.

Part-Year Residents and Nonresidents –

Step 2 Prorate the amount determined in Step 1 as follows:

Exception Do not complete the formula in the following situations:

- Your wages, unearned income, and net earnings from a trade or business taxable to Wisconsin are zero or a negative amount. The amount of your tentative subtraction is zero.
- Your wages, unearned income, and net earnings from a trade or business taxable to Wisconsin are greater than your total wages, unearned income, and net earnings from a trade or business. The amount of your tentative subtraction is equal to the amount from Step 1.

$$\begin{array}{r} \text{Amount} \\ \text{from} \\ \text{Step 1} \end{array} \times \frac{\text{Wages, unearned income, and net earnings from a trade or business* taxable to Wis.}}{\text{Total wages, unearned income, and net earnings from a trade or business**}} = \text{Tentative Subtraction}$$

* Use the amount that will be on line 16, column B of Form 1NPR, without considering the subtraction for contributions to a Wisconsin state-sponsored college savings program less the amount that will be on line 31, column B of Form 1NPR.

** Use the amount that will be on line 16, column A of Form 1NPR, less the amount that will be on line 31, column A of Form 1NPR.

Step 3 Your subtraction is equal to the smaller of the tentative subtraction computed in Step 2 or your total wages, salaries, tips, unearned income, and net earnings from a trade or business taxable to Wisconsin. (See * in Step 2.)

Fill in the amount of your subtraction on line 6 of Schedule CS and on line 31 of Schedule M (Form 1NPR).

See the CAUTION in column 1.

Line 7 The amount on line 7 may be carried forward to future years and claimed as a subtraction subject to the yearly limitations. See Part V.

Line 8 Fill in the amount contributed to the Edvest or Tomorrow's Scholar account by others for 2016.

Part II Persons other than the account owner

Complete Part II if you contributed to an Edvest or Tomorrow's Scholar account, but you are not the owner of the account.

Line 16 Complete line 16 only if the amount on line 15 is less than \$3,100 (\$1,550 if married filing a separate return or a divorced parent) and you have a carryover from line 34 of 2015 Schedule CS. Otherwise, skip line 16 and fill in the amount from line 15 on line 17.

The amount to fill in on line 16 is the smaller of the following:

- \$3,100 (\$1,550 if married filing separate or a divorced parent) less the amount on line 13 of Schedule CS, or
- The amount of your carryover from line 34 of **2015** Schedule CS.

Line 17 See the line 6 instructions to determine your allowable subtraction.

Line 18 The amount on line 18 may be carried forward to future years and claimed as a subtraction subject to the yearly limitations. Complete Part V.

New

Part III Withdrawals within 365 days of contribution

Line 19 Adjustments must be made if an amount was deposited in an Edvest or Tomorrow's Scholar account in 2015 or 2016 and that amount was withdrawn in 2016 within 365 days of the deposit and used for any purpose.

→ This law applies using a first-in, first-out method of accounting. The first contribution made into the account is considered the first contribution out of the account in determining whether a contribution was made within 365 days of a withdrawal. Only persons who do not have a sufficient balance in their account 365 days in advance of a withdrawal may be required to add all or a portion of the amount of the withdrawal to their Wisconsin income.

Note

If the amount withdrawn within 365 days of the contribution was not used for qualified higher education expenses or was rolled over into another state's college tuition program, complete Part IV first. The amount that is attributable to a withdrawal within 365 days of contribution that is added to income in Part IV does not have to be included when completing line 19a of Part III. You are required to add the amount to income only once.

Line 19a Fill in the amount that was deposited in the account and withdrawn within 365 days for any purpose.

Example: The balance in your Edvest account on January 1, 2015, was \$2,500 (plus earnings). You contributed \$3,050 to the account on September 1, 2015. On August 1, 2016, you withdrew \$4,000 (plus earnings) from the account. Using the first-in, first-out method, \$1,500 (\$4,000 - \$2,500 = \$1,500) is required to be added to income since that portion of the withdrawal occurred within 365 days of the deposit.

Example: You are married filing a joint return. You made the following contributions to an Edvest account for your child:

- January 15, 2013 - \$3,000
- April 25, 2014 - \$3,000
- September 15, 2015 - \$18,000 (\$3,050 claimed as a 2015 subtraction from income, \$3,100 claimed as a 2016 subtraction from income, and \$11,850 allowed as a carryover to future years).

On September 1, 2016, you received a distribution from the Edvest account of \$16,000 to pay for tuition for your child to attend college. According to the Form 1099-Q, the distribution included \$1,000 of earnings and \$15,000 of principal. Because a portion of the September 15, 2015, contribution was withdrawn within 365 days, you must complete Part III of Schedule CS. The amount withdrawn within 365 days of the deposit is \$9,000 (\$15,000 less \$6,000 attributable to deposits in 2013 and 2014). The \$9,000 would be entered on line 19a. The portion of the amount on line 19a that was previously claimed as a subtraction is \$6,150. This amount is entered on line 19b and must be added to your Wisconsin income. Your excess contribution carryover must be reduced by the difference (\$9,000 - \$6,150 = \$2,850). See Part V of Schedule CS to adjust the carryover.

Example: Beginning January of 2002, you contributed \$100 each month to an Edvest account for your child. On January 1, 2015, the account included \$15,600 of contributions plus earnings. You continued to contribute \$100 a month through 2015 and 2016. In August of 2016 you withdrew \$8,000 from the account to pay tuition for your child to attend college. Even though a portion of the distribution was within 365 days of the date some 2015 and the 2016 contributions were made to the account, you do not have to complete Part III. Using the first-in, first-out method, the first contributions to the account (contributions first made in 2002 and thereafter) are the first amounts withdrawn and those earlier contributions were not within 365 days of the withdrawal.

Line 19b Fill in the portion of the amount withdrawn that was previously claimed as a subtraction from income regardless of whether the subtraction was claimed by the owner of the account or another contributor to the account. This amount must be included in the account owner's income. If you (owner of the account) are filing Form 1, include this amount as an addition to income on line 4 of Form 1 using Code 01. If you are filing Form 1NPR, include this amount of line 17 of Schedule M.

Line 19c If line 19a is greater than line 19b, subtract line 19b from line 19a. This indicates there was an excess contribution in 2015 or 2016 that resulted in a carryover. The amount of any carryover must be reduced by this amount. If the amount that was deposited in the account resulted in a carryover for the owner of the account, the owner must reduce the carryover by the amount on line 19c. Complete Part V.

If the carryover resulted from a contribution by someone other than the owner of the account, the owner of the account must inform that contributor of the amount by which that contributor must reduce his or her carryover. That contributor must complete Part V of Schedule CS to adjust his or her carryover.

Part IV Distributions from a college savings account rolled over or not used for qualified education expenses

The owner of the Edvest or Tomorrow's Scholar college savings account must complete Part IV if, while a Wisconsin resident, (1) you received or authorized a distribution from an Edvest or Tomorrow's Scholar college savings account and all or a portion of the distribution was subject to a federal penalty for the owner or beneficiary of the account because it was not used for qualified higher education expenses or (2) an amount was rolled over by the owner of the account into another state's qualified tuition program.

Example: You are single and made the following contributions to your Edvest account:

- March 15, 2012 - \$5,000
- April 10, 2013 - \$5,000
- August 1, 2014 - \$3,000

In addition, your grandparents contributed \$1,000 to the account on July 1, 2014. You claimed a subtraction for the contribution of \$3,000 for 2014 and your grandparents claimed a subtraction of \$1,000 for 2014. No contributions were made for 2015.

On May 1, 2016, you received a distribution of \$7,500. According to the Form 1099-Q, the distribution included \$500 of earnings and \$7,000 of principal. \$2,000 of the distribution was not used for qualified higher education expenses. You were required to include a portion of the earnings in your federal income which will carry over and be included in your Wisconsin income. The amount that you must add to your Wisconsin income is \$2,000.

Line 21 "Qualified higher education expenses" means tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible education institution. It also includes expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance and room and board as allowed for federal tax purposes.

When completing line 21, do not include the portion of the distribution that consists of earnings on the account that was required to be included in federal income of the owner or beneficiary.

Line 22 Fill in the total of the amount you contributed to the college savings account for 2014 – 2016 plus the amount contributed to the account by all other persons for 2014 – 2016. This is the amount from line 10 of Schedule CS.

Line 24 *Owner of the Account* – Fill in the amount from line 24 of Schedule CS on line 4 of Form 1 (use Code 01). If you are filing Form 1NPR, fill in the amount from line 24 of Schedule CS on line 17 of Schedule M of Form 1NPR.

Line 25 The amount of any carryover must be reduced by this amount. If the amount that was deposited in the account resulted in a carryover for the owner of the account, the owner must reduce the carryover by the amount on line 25. Complete Part V.

Note

If the carryover resulted from a contribution by someone other than the owner of the account, the owner of the account must inform that contributor of the amount by which that contributor must reduce his or her carryover. That contributor must complete Part V of Schedule CS to adjust his or her carryover.

Line 27 Include on line 27 both the amount you claimed as a subtraction and the amount claimed as a subtraction by others who contributed to the account.

Fill in the amount from line 27 of Schedule CS on line 4 of Form 1 (use Code 01). If you are filing Form 1NPR, fill in the amount from line 27 of Schedule CS on line 17 of Schedule M of Form 1NPR. If you have an amount on both lines 19b, 24, and 27 of Schedule CS, add the amounts on lines 19b, 24, and 27 and fill in the total on line 4 of Form 1 (use Code 01) or line 17 of Schedule M of Form 1NPR.

Note

Line 28 The amount of your carryover must be reduced by this amount. If any portion of the carryover resulted from a contribution by someone other than the owner of the account, the owner of the account must inform that contributor of the amount by which that contributor must reduce his or her carryover. That contributor must complete Part V of Schedule CS to adjust his or her carryover.

Part V Computation of carryover from 2016 to 2017

Complete Part V if you have a carryover of a contribution to an Edvest or Tomorrow's Scholar account.

Owner of the account – Complete lines 29 through 34.

Note If any portion of the amount on line 19c, 25, or 28 was allocated to another contributor to the account, you must advise that contributor of the required reduction in his or her contribution carryover. Include only your portion of the amount on line 19c, 25, or 28 that is to be used to reduce your carryover on lines 32b, 32c, and 32d. On the solid line before the entry space for 32b, 32c, or 32d, fill in the other contributor's name and the amount of carryover reduction allocated to that contributor.

Person other than account owner – Complete lines 29 through 32a. On line 32b (ignore the reference to line 19c), if the owner of the account advised you that your carryover must be reduced, fill in the amount of the reduction to your carryover. In the space to the left of the entry line, fill in the name of the owner of the account. Continue completing lines 33 and 34.

The amount on line 34 is your carryover to 2017 for this account.

Additional Information

For more information, you may:

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