

2021 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 college savings 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
- Rolled over an amount from an Edvest or Tomorrow's Scholar college savings account into a qualified ABLE account, or
- Using a first-in, first-out method, received a distribution from an Edvest or Tomorrow's Scholar college savings 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 college savings 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 2021 must be made during 2021 or on or before April 18, 2022. For contributions made between January 1, 2022 and April 18, 2022, you must keep records which indicate you want the contributions to apply to tax year 2021; otherwise they will be considered 2022 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 college savings 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 college savings account from income? You may be able to subtract the amount you contributed to an Edvest or Tomorrow's Scholar college savings 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 2021, but not more than \$3,380 per beneficiary (\$1,690 per beneficiary if you are married filing a separate return or a divorced parent).

The total subtraction for a married couple may not exceed \$3,380 per beneficiary.

Example: You are married filing a joint return and have two children. You established an Edvest or Tomorrow's Scholar college savings account for each child. For 2021, you contributed \$3,380 to the account of each child. You may claim a subtraction of \$6,760.

In the case of divorced parents, the total subtraction per beneficiary by the formerly married couple may not exceed \$3,380, and the maximum amount that may be subtracted by each former spouse is \$1,690, unless the divorce judgment specifies a different division of the \$3,380 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 subtraction.

Specific Instructions

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

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

Line 1 Enter the name of the beneficiary of the account.

Line 2 Enter the amount you contributed to the account for 2021. (See "When can contributions be made?")

CAUTION If you contributed an amount to an Edvest or Tomorrow's Scholar college savings account between January 1, 2021, and April 15, 2021, and the amount was included as a contribution on your 2020 Schedule CS, do **not** include that amount as a contribution on your 2021 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 college savings account during 2021, 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 college savings account between January 1, 2022, and April 18, 2022, you may treat the principal amount rolled over as a contribution for either 2021 or 2022 (but not both years). Either way, you must keep records which indicate the year to which you want the amount rolled over to apply.

Line 5 The amount to enter on line 5 is the smaller of the following:

- \$3,380 (\$1,690 if married filing separate or a divorced parent) less the amount on line 2 of Schedule CS
- The amount of your carryover from line 39 of **2020** Schedule CS for this beneficiary

Note

Complete line 5 only if the amount on line 4 is less than \$3,380 (\$1,690 if married filing a separate return or a divorced parent) and you have a carryover from line 39 of 2020 Schedule CS. Otherwise, skip line 5 and enter the amount from line 4 on line 6.

Enter the amount from line 5 on line 37a in Part V.

Example: You are married filing a joint return. For 2021, you contributed \$2,000 to an Edvest college savings account for your child. The maximum amount that you may subtract for 2021 is \$3,380. You have a carryover of an excess contribution from 2020 of \$5,000. The amount to include on line 5 as a carryover from 2020 is \$1,380 (\$3,380 - \$2,000 = \$1,380).

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 \$1,690. You would then have an excess contribution of \$310 (\$2,000 - \$1,690 = \$310) for 2021 to carry forward to future years. You cannot use any amount of your carryover from 2020 on your 2021 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
- The amount on line 3 of **Form 1** less the amount on line 4 without considering the subtraction for contributions to the Edvest or Tomorrow's Scholar college savings account

Enter the amount of your subtraction from line 6 (line 17 if completing Part II) of Schedule CS on line 10 of Schedule SB (Form 1).

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 2021 or that may be allowed for future years. Even if you did not have a carryover from 2020, you must adjust Parts I or II as in some cases this may result in a carryover. To make this adjustment:

- Enter 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 39 of 2020 Schedule CS. The amount to enter 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 –

EXCEPTION: Do not complete the formula below 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.

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

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

* 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 29, column B, of Form 1NPR.

** Use the amount that will be on line 16, column A, of Form 1NPR, **without** considering the subtraction for contributions to a Wisconsin state-sponsored college saving program, less the amount that will be on line 29, column A, of Form 1NPR.

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.)

Enter the amount of your subtraction on line 6 of Schedule CS and on line 32 of Schedule M (Form 1NPR).

See the **CAUTION** on page 2.

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 Enter the amount contributed to the Edvest or Tomorrow's Scholar college savings account by others for 2021.

Part II Persons other than the account owner

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

Line 16 The amount to enter on line 16 is the smaller of the following:

- \$3,380 (\$1,690 if married filing separate or a divorced parent) less the amount on line 13 of Schedule CS
- The amount of your carryover from line 39 of **2020** Schedule CS

Note Complete line 16 only if the amount on line 15 is less than \$3,380 (\$1,690 if married filing a separate return or a divorced parent) and you have a carryover from line 39 of 2020 Schedule CS. Otherwise, skip line 16 and enter the amount from line 15 on line 17.

Enter the amount from line 16 on line 37a in Part V.

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.

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 college savings account in 2020 or 2021 and that amount was withdrawn in 2021 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 Enter the amount that was deposited in the account and withdrawn within 365 days for any purpose.

Example: The balance in your Edvest college savings account on January 1, 2020, was \$2,500 (plus earnings). You contributed \$3,100 to the account on September 1, 2020. On August 1, 2021, 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 college savings account for your child:

- January 15, 2018 - \$3,000
- April 25, 2019 - \$3,000
- September 15, 2020 - \$18,000
- \$3,340 was claimed as a 2020 subtraction from income, no subtraction was claimed in 2021 and \$14,660 allowed as a carryover to future years.

On September 1, 2021, you received a distribution from the Edvest college savings 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, 2020, 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 2018 and 2019). 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 \$3,340. 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 ($\$9,000 - 3,340 = \$5,660$). See Part V of Schedule CS to adjust the carryover.

Example: Beginning January of 2007, you contributed \$100 each month to an Edvest college savings account for your child. On January 1, 2020, the account included \$16,000 of contributions plus earnings. You continued to contribute \$100 a month through 2020 and 2021. In August of 2021 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 of the 2020 and all of the 2021 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 2007 and thereafter) are the first amounts withdrawn and those earlier contributions were not within 365 days of the withdrawal.

Line 19b Enter 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 3 of Schedule AD (Form 1). If you are filing Form 1NPR, include this amount on line 18 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 2020 or 2021 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. Enter the amount from line 19c on line 37b and 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. Enter the amount allocated to the other contributor and their name on the line next to 37b. 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, (2) an amount was rolled over by the owner of the account into another state's qualified tuition program, or (3) an amount was rolled over by the owner of the account into a qualified ABLE account.

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

- March 15, 2017 - \$5,000
- April 10, 2018 - \$5,000
- August 1, 2019 - \$3,100

In addition, your grandparents contributed \$1,000 to the account on July 1, 2019. You claimed a subtraction for the contribution of \$3,100 for 2019 and your grandparents claimed a subtraction of \$1,000 for 2019. No contributions were made for 2020.

On May 1, 2021, 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 required to be included in federal income is calculated as follows:

$$\frac{\$2,000}{\$7,500} \times \$500 = \$133$$

The amount that you must add to your Wisconsin income is \$1,867 (\$2,000 - \$133 = \$1,867).

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.
- Expenses for the purchase of computer or peripheral equipment, computer software, or internet access and related services if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible institution.
- Expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance.
- Room and board as allowed for federal tax purposes.
- Expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school, up to a maximum of \$10,000 per year per beneficiary from all section 529 plans.
- Expenses for fees, books, supplies, and equipment required for the designated beneficiary's participation in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act
- Up to \$10,000 of principal or interest on qualified student loans for the designated beneficiary or the designated beneficiary's sibling

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 Enter the total of the amount you contributed to the college savings account for 2014 – 2021 plus the amount contributed to the account by all other persons for 2014 – 2021. This is the amount from line 10 of Schedule CS.

Line 24 *Owner of the Account* – Enter the amount from line 24 of Schedule CS on line 3 of Schedule AD (Form 1). If you are filing Form 1NPR, enter the amount from line 24 of Schedule CS on line 18 of Schedule M.

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. Enter the amount from line 25 on line 37c and 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. Enter the amount allocated to the other contributor and their name on the line next to 37c. 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.

Enter the amount from line 27 of Schedule CS on line 3 of Schedule AD (Form 1). If you are filing Form 1NPR, enter the amount from line 27 of Schedule CS on line 18 of Schedule M. If you have an amount on lines 19b, 24, and 27 of Schedule CS, add the amounts on lines 19b, 24, and 27 and enter the total on line 3 of Schedule AD (Form 1) or line 18 of Schedule M (Form 1NPR).

Note **Line 28** The amount of your carryover must be reduced by this amount. Enter the amount from line 28 on line 37d and complete Part V. 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. Enter the amount allocated to the other contributor and their name on the line next to 37d. That contributor must complete Part V of Schedule CS to adjust his or her carryover.

Line 29 You may roll over up to \$15,000 into a qualified ABLE account of the designated beneficiary or a member of the family of the designated beneficiary for 2021. Enter the full amount rolled over in 2021 into a qualified ABLE account on line 29.

Line 32 The amount you claimed as a subtraction and the amount claimed as a subtraction by others who contributed to the account must be added to your Wisconsin income if any amount rolled over into a qualified ABLE account exceeds \$15,000.

Enter the amount from line 32 of Schedule CS on line 3 of Schedule AD (Form 1). If you are filing Form 1NPR, enter the amount from line 32 of Schedule CS on line 18 of Schedule M. If you have an amount on lines 19b, 24, 27, and 32 of Schedule CS, add the amount on lines 19b, 24, 27, and 32 and enter the total on line 3 of Schedule AD (Form 1) or line 18 of Schedule M (Form 1NPR).

Line 33 The amount of your carryover must be reduced by this amount. Enter the amount from line 33 on line 37e and complete Part V. 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. Enter the amount allocated to the other contributor and their name on the line next to 37e. That contributor must complete Part V of Schedule CS to adjust his or her carryover.

Part V Computation of carryover from 2021 to 2022

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

Owner of the account – Complete lines 34 through 39.

Note If any portion of the amount on line 19c, 25, 28, or 33 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, 28, or 33 that is to be used to reduce your carryover on lines 37b, 37c, 37d, and 37e. On the solid line before the entry space for 37b, 37c, 37d, and 37e, enter the other contributor's name and the amount of carryover reduction allocated to that contributor.

Person other than account owner – Complete lines 34 through 37a. On line 37b (ignore the reference to line 19c), if the owner of the account advised you that your carryover must be reduced, enter the amount of the reduction to your carryover. In the space to the left of the entry line, enter the name of the owner of the account. Continue completing lines 38 and 39.

The amount on line 39 is your carryover to 2022 for this account.

Additional Information

For more information, you may:

Call: (608) 266-2486

Email: DORIncome@wisconsin.gov

Write: Mail Stop 5-77
Wisconsin Department of Revenue
PO Box 8949

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of October 8, 2021: 26 USC 529 and ch. 71, Wis. Stats.