



Wisconsin Postsecondary Education Credit – **EXPIRES DECEMBER 31, 2013**

Fact Sheet 1109 revenue.wi.gov

This fact sheet provides a general overview of the Wisconsin postsecondary education credit. For further information, go to the instructions for Schedule PE, available at revenue.wi.gov.

What is the purpose of the credit?

This credit is available to businesses that reimburse certain individuals for the tuition paid to attend a qualified postsecondary institution.

Who can qualify for the credit?

You can claim the credit if you are a:

- Corporation,
- Sole proprietor,
- Partner in a partnership,
- Member of a limited liability company (LLC),
- Shareholder of a tax-option (S) corporation, or
- Beneficiary of an estate or trust.

The following entities calculate the credit based on their business operations and then may pass the credit through to their partners, members, shareholders, or beneficiaries:

- Partnerships,
- LLCs treated as partnerships,
- Tax-option (S) corporations, and
- Fiduciaries such as trusts and estates.

In what years can you claim the credit?

You can claim the credit in taxable years beginning on or after January 1, 2010 **and before January 1, 2014**.

How do you calculate the credit?

The credit equals either 25 or 30 percent of the amount paid to reimburse an individual for tuition to attend a postsecondary institution from which the individual graduated in the taxable year.

The 25 percent credit is used for individuals who are eligible for the Federal Pell Grant Program and are enrolled in a course of instruction.

The 30 percent credit is used for individuals who are eligible for the Federal Pell Grant Program and enrolled in a course of instruction that relates to a projected worker shortage in Wisconsin as determined by the local workforce development boards.

Can my business claim all tuition that it reimburses to an individual?

No. In addition to the limitations explained in the previous question, the following tuition amounts cannot be included:

- Amounts that the individual has used to claim the Wisconsin tuition expense subtraction on his or her own tax return,
- Amounts that your business excluded from income for educational assistance under an educational assistance program,
- Amounts that your business paid to a nonresident of Wisconsin, and
- Amounts that your business paid for your family members or the family members of a managing employee. See the instructions for Schedule PE for definitions of family member and managing employee, and exceptions.

Do all postsecondary schools qualify?

No. The school must meet the definition of a "qualified postsecondary institution," which is one of the following:

- A University of Wisconsin System institution, a technical college system institution, or a regionally accredited 4-year nonprofit college or university having its regional headquarters and principal place of business in Wisconsin, or
- A school approved by the Wisconsin Educational Approval Board, if the delivery of education occurs in Wisconsin. A list of approved schools is at eab.state.wi.us/resources/directory.pdf.

What is a course of instruction?

A course of instruction means a series of classroom or correspondence courses having a unified purpose which lead to a diploma or degree or to an occupational or vocational objective.

Is the credit refundable or nonrefundable?

The credit is nonrefundable.

Can you carry unused credit to future years?

Yes. If you do not use the entire credit against Wisconsin franchise or income taxes due for the current taxable year, you can carry any unused balance forward for up to fifteen years.

Credits computed but not used prior to the credits expiring January 1, 2014 may be carried forward subject to the 15 year carry forward limitation.

Can you use the credit to offset alternative minimum tax?

No. You cannot offset alternative minimum tax with the credit.

Can you use the credit to offset the economic development surcharge?

No. You cannot offset the economic development surcharge with the credit.

On what schedule and form do you claim the credit?

You calculate the credit on Schedule PE, *Postsecondary Education Credit*. The amount is then carried to:

- Members of a combined group: Form 4M, *Member Statement*, Part III, line 1.
- Partnerships: Form 3, *Partnership Return*, Schedule 3K, line 15.
- Tax-option (S) corporations: Form 5S, *Tax-Option (S) Corporation Return*, Schedule 5K, line 13.
- All others: Schedule CR, *Other Credits*, Part I, Section A, line 1.

How do I fill out Schedule PE if I have some individuals who qualify for the 25 percent credit and some who qualify for the 30 percent credit?

Fill out one Schedule PE for the individuals who qualify for the 25 percent credit and a second Schedule PE for the individuals who qualify for the 30 percent credit. Do not complete lines 4 and 6 on this second Schedule PE.

Total the amounts from the two schedules and carry this sum to the appropriate line as explained in the previous question.

When must you claim the credit?

You must claim the credit within four years of the unextended due date of your tax return.

A corporation files as a member in a combined group. Can it share its credit with other members?

No. The credit can only offset the Wisconsin franchise or income taxes due of the corporation that generated it.

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