



August 2017

TO: Assumption BVM School Parents
FROM: ABVM Total Board of Catholic Education
RE: **Wisconsin Tax Deduction for Tuition Expenses**

Please note that the State of Wisconsin has recently made changes that will enable you to make the choice to send your children to private school just got a little more affordable, under a new tax deduction included in the recently approved state budget.

The tax deduction began in the 2014 tax year, and continues in the 2017 year – which means that it is in effect when you file your 2017 taxes in the beginning of 2018. Taxpayers can deduct up to \$4,000 for tuition paid for dependent children in grades kindergarten through eighth and up to \$10,000 for high school students. The tax deduction has the potential to save Wisconsin parents up to \$30 million. Since the tax break is set up as a deduction, the average Wisconsin family would get a \$240 tax cut per elementary and middle school child and a \$600 tax cut for each high school student.

It is important to remember the difference between a tax credit and a tax deduction. A tax deduction, like the new one for private school tuition, reduces an individual's taxable income but cannot reduce taxable income below zero. If a tax deduction is \$1000 and an individual's tax rate is 25 percent, they would receive \$250 off their tax bill. A tax credit, on the other hand, directly reduces an individual's tax liability, meaning that a tax credit lowers your tax bill dollar for dollar. Tax credits are often considered subsidies in the tax system, whereas tax deductions represent reductions in a taxpayer's ability to pay. It makes sense that the private school tuition tax break is set up as a deduction, because by paying tuition, an individual has less income available to pay state income taxes.

Wisconsin is now one of eight states that offer a tax break for families who choose to send their children to private schools.

The Dioceses of Green Bay has prepared a Q&A regarding the tax deduction in hopes of better clarifying how the deduction works. The Q&A is called "Tuition Tax Talking Points" and can also be found under the Resources tab on the website.