

S.F. No. 1153 – K-12 subtraction increase; K-12 credit modification

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Under current law, individuals may subtract up to specified amounts of education-related expenses for purposes of calculating Minnesota taxable income. Qualifying expenses include tutoring fees, textbooks and other instructional materials, certain personal computer hardware and software, and transportation expenses. The subtraction equals \$1,625 for each qualifying child in kindergarten through grade 6 and \$2,500 for each qualifying child in grades 7-12. The subtraction may not be claimed for any expenses used to claim the credit for K-12 education-related expenses.

The Minnesota credit for K-12 expenses equals of 75 percent of the amount paid for certain education-related expenses for a qualifying child in kindergarten through grade 12. The credit equals \$1,000 multiplied by the number of qualifying children for families with income not greater than \$33,500. For families with income greater than \$33,500, the credit phases out at different levels depending on the number of qualifying children. The credit is refundable.

Section 1. Education expenses. Clarifies the language limiting the K-12 expense subtraction to expenses not used to claim the credit. Increases the subtraction to \$2,600 for each qualifying child in kindergarten through grade 6 and to \$3,900 for each qualifying child in grades 7-12. Effective beginning in tax year 2021.

Section 2. Credit allowed; definitions. Adds tuition to the allowable expenses used to claim the subtraction and credit.

Section 3. Limitations. Increases the K-12 credit amount to \$1,500 and the income threshold to \$50,000, and modifies the phaseout schedule. Requires the credit to be adjusted annually for inflation. Effective beginning in tax year 2021.