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S.F. No. 1577 – Educator expense credit

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Federal law provides an exclusion from gross income of up to \$250 (\$500 for married joint filers if both spouses are eligible educators) for expenses paid by eligible educators for books, supplies, certain equipment, and supplementary materials used in a classroom for kindergarten through 12th grade.

This bill allows a refundable state tax credit for the federally-allowed expenses and extends eligibility to pre-kindergarten teachers working with children over age 3 and not yet enrolled in kindergarten.

Subdivision 1. Definitions. References the federal definitions of “eligible educator” and “eligible expenses,” with modifications for eligible prekindergarten teachers, which is also defined in the subdivision.

Subd. 2. Credit allowed. Allows a credit equal to 25 percent of eligible expenses, phased out by three percent of AGI in excess of \$40,000, or \$80,000 for married joint filers.

Subd. 3. Credit limit. Limits the credit to \$250, or \$500 for married joint filers.

Subd. 4. Credit refundable; appropriation. Specifies that the credit is refundable and appropriates an amount from the general fund sufficient to pay refunds.

Effective beginning in tax year 2021.