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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. **3765**

02/24/2020 Authored by Robbins, Erickson, Daudt, Mekeland, Scott and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; modifying the K-12 education expense
1.3 subtraction and credit; extending the credit to tuition; increasing the subtraction
1.4 and credit amounts; increasing the income phaseout for the credit; adjusting the
1.5 credit and subtraction amounts and credit phaseout thresholds for inflation;
1.6 amending Minnesota Statutes 2018, sections 290.0132, subdivision 4; 290.0674,
1.7 subdivision 2; Minnesota Statutes 2019 Supplement, section 290.0674, subdivision
1.8 1.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2018, section 290.0132, subdivision 4, is amended to read:

1.11 Subd. 4. **Education expenses; inflation adjustment.** (a) Subject to the limits in paragraph
1.12 (b), the following amounts paid to others for ~~each qualifying child~~ education-related expenses,
1.13 as defined in section 290.0674, subdivision 1, less any amount used to claim the credit under
1.14 section 290.0674, are a subtraction:

1.15 ~~(1) education-related expenses; plus~~

1.16 ~~(2) tuition and fees paid to attend a school described in section 290.0674, subdivision~~
1.17 ~~1, clause (4), that are not included in education-related expenses; less~~

1.18 ~~(3) any amount used to claim the credit under section 290.0674.~~

1.19 (b) The maximum subtraction allowed under this subdivision is:

1.20 (1) ~~\$1,625~~ \$2,600 for each qualifying child in kindergarten through grade 6; and

1.21 (2) ~~\$2,500~~ \$3,900 for each qualifying child in grades 7 through 12.

1.22 (c) The definitions in section 290.0674, subdivision 1, apply to this subdivision.

2.1 (d) The commissioner must adjust for inflation the maximum amounts allowed for each
2.2 qualifying child under this paragraph as provided in section 270C.22. The statutory year is
2.3 taxable year 2021.

2.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.5 31, 2020.

2.6 Sec. 2. Minnesota Statutes 2019 Supplement, section 290.0674, subdivision 1, is amended
2.7 to read:

2.8 Subdivision 1. **Credit allowed; definitions.** An individual is allowed a credit against
2.9 the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for
2.10 education-related expenses for a qualifying child in kindergarten through grade 12. For
2.11 purposes of this section, "education-related expenses" means:

2.12 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision
2.13 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association,
2.14 and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular
2.15 school day or school year, including tutoring, driver's education offered as part of school
2.16 curriculum, regardless of whether it is taken from a public or private entity or summer
2.17 camps, in grade or age appropriate curricula that supplement curricula and instruction
2.18 available during the regular school year, that assists a dependent to improve knowledge of
2.19 core curriculum areas or to expand knowledge and skills under the required academic
2.20 standards under section 120B.021, subdivision 1, and the world languages standards under
2.21 section 120B.022, subdivision 1, and that do not include the teaching of religious tenets,
2.22 doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

2.23 (2) expenses for textbooks, including books and other instructional materials and
2.24 equipment purchased or leased for use in elementary and secondary schools in teaching
2.25 only those subjects legally and commonly taught in public elementary and secondary schools
2.26 in this state. "Textbooks" does not include instructional books and materials used in the
2.27 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such
2.28 tenets, doctrines, or worship, nor does it include books or materials for extracurricular
2.29 activities including sporting events, musical or dramatic events, speech activities, driver's
2.30 education, or similar programs;

2.31 (3) a maximum expense of \$200 per family for personal computer hardware, excluding
2.32 single purpose processors, and educational software that assists a dependent to improve
2.33 knowledge of core curriculum areas or to expand knowledge and skills under the required
2.34 academic standards under section 120B.021, subdivision 1, and the elective standard under

3.1 section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and
3.2 not used in a trade or business regardless of whether the computer is required by the
3.3 dependent's school; and

3.4 (4) the amount paid to others for tuition and transportation of a qualifying child attending
3.5 an elementary or secondary school situated in Minnesota, North Dakota, South Dakota,
3.6 Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory
3.7 attendance laws, which is not operated for profit, and which adheres to the provisions of
3.8 the Civil Rights Act of 1964 and chapter 363A. Amounts under this clause exclude any
3.9 expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle.

3.10 For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3)
3.11 of the Internal Revenue Code.

3.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.13 31, 2020.

3.14 Sec. 3. Minnesota Statutes 2018, section 290.0674, subdivision 2, is amended to read:

3.15 Subd. 2. **Limitations; inflation adjustment.** (a) For claimants with income not greater
3.16 than ~~\$33,500~~ \$50,000, the maximum credit allowed for a family is ~~\$1,000~~ \$1,500 multiplied
3.17 by the number of qualifying children in kindergarten through grade 12 in the family. The
3.18 maximum credit for families with one qualifying child in kindergarten through grade 12 is
3.19 reduced by \$1 for each ~~\$4~~ \$6 of household income over ~~\$33,500~~ \$50,000, and the maximum
3.20 credit for families with two or more qualifying children in kindergarten through grade 12
3.21 is reduced by ~~\$2~~ \$1 for each ~~\$4~~ \$3 of household income over ~~\$33,500~~ \$50,000, but in no
3.22 case is the credit less than zero.

3.23 (b) In the case of a married claimant, a credit is not allowed unless a joint income tax
3.24 return is filed.

3.25 (c) For a nonresident or part-year resident, the credit determined under subdivision 1
3.26 and the maximum credit amount in paragraph (a) must be allocated using the percentage
3.27 calculated in section 290.06, subdivision 2c, paragraph (e).

3.28 (d) The commissioner must adjust for inflation the credit amount and the income threshold
3.29 at which the maximum credit begins to be reduced as provided in section 270C.22. The
3.30 statutory year is taxable year 2021.

3.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.32 31, 2020.