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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 492

01/18/2023 Authored by Robbins, Davids, Witte and Burkel
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; expanding the definition of qualified higher
1.3 education expenses for section 529 qualified tuition plans to include distributions
1.4 for apprenticeship expenses, certain student loan repayment, and elementary and
1.5 secondary school tuition; amending Minnesota Statutes 2022, sections 290.0111,
1.6 subdivision 2; 290.06, subdivision 2h; repealing Minnesota Statutes 2022, section
1.7 290.0131, subdivision 15.

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

1.9 Section 1. Minnesota Statutes 2022, section 290.0111, subdivision 2, is amended to read:

1.10 Subd. 2. Further Consolidated Appropriations Act, 2020. (a) "Internal Revenue Code"
1.11 includes the following provisions of the Taxpayer Certainty and Disaster Tax Relief Act of
1.12 2019 in Public Law 116-94:

- 1.13 (1) section 101;
1.14 (2) section 116;
1.15 (3) section 117;
1.16 (4) section 130;
1.17 (5) section 131;
1.18 (6) section 132;
1.19 (7) section 144;
1.20 (8) section 201;
1.21 (9) section 202; and

2.1 (10) section 204.

2.2 (b) "Internal Revenue Code" includes ~~section~~ sections 301 and 302 of the Setting Every
2.3 Community Up for Retirement Enhancement Act of 2019 in Public Law 116-94.

2.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.5 31, 2022.

2.6 Sec. 2. Minnesota Statutes 2022, section 290.06, subdivision 2h, is amended to read:

2.7 Subd. 2h. **Section 529 plan recapture.** (a) For the purposes of this subdivision:

2.8 (1) the definitions under section 290.0684 apply;

2.9 (2) "account owner" means an individual who owns one or more qualified accounts;

2.10 (3) "credit ratio" means the ratio of (i) two times the total amount of credits that an
2.11 account owner claimed under section 290.0684 for contributions to the account owner's
2.12 qualified accounts to (ii) the total contributions in all taxable years to the account owner's
2.13 qualified accounts;

2.14 (4) "qualified higher education expenses" has the meaning given in section 529(e)(3) of
2.15 the Internal Revenue Code, ~~except section 529(e)(7) does not apply~~; and

2.16 (5) "subtraction ratio" means the ratio of (i) the total amount of subtractions that an
2.17 account owner claimed under section 290.0132, subdivision 23, for contributions to the
2.18 account owner's qualified accounts to (ii) the total contributions in all taxable years to the
2.19 account owner's qualified accounts.

2.20 (b) If a distribution from a qualified account is used for a purpose other than to pay for
2.21 qualified higher education expenses, the account owner must pay an additional tax equal
2.22 to:

2.23 (1) 50 percent of the product of the credit ratio and the amount of the distribution; plus

2.24 (2) ten percent of the product of the subtraction ratio and the amount of the distribution.

2.25 (c) The additional tax under this subdivision does not apply to any portion of a distribution
2.26 that is subject to the additional tax under section 529(c)(6) of the Internal Revenue Code.

2.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.28 31, 2022.

2.29 Sec. 3. **REPEALER.**

2.30 Minnesota Statutes 2022, section 290.0131, subdivision 15, is repealed.

- 3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
- 3.2 31, 2022.

290.0131 INDIVIDUALS, ESTATES, AND TRUSTS; ADDITIONS TO FEDERAL TAXABLE INCOME OR FEDERAL ADJUSTED GROSS INCOME.

Subd. 15. **529 plan addition.** The lesser of the following amounts is an addition:

(1) the total distributions for the taxable year from a qualified plan under section 529 of the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for tuition for elementary or secondary public, private, or religious school); or

(2) the total amount required to be reported to the taxpayer by any trustee of a qualified tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue Service Form 1099Q for the taxable year.