

1.1 A bill for an act

1.2 relating to taxation; individual income; providing an income tax credit for
1.3 payment of principal and interest on student loans; proposing coding for new
1.4 law in Minnesota Statutes, chapter 290.

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

1.6 Section 1. **[290.0678] EDUCATION OPPORTUNITY CREDIT.**

1.7 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
1.8 have the meanings given.

1.9 (b) "Eligible individual" means an individual is a Minnesota resident who graduated
1.10 from a postsecondary educational institution located in Minnesota or from a public
1.11 postsecondary educational institution located in a state with which a tuition reciprocity
1.12 agreement under section 136A.08 was in effect when the individual graduated.

1.13 (c) "Qualified education loan" means a Federal Direct Stafford Loan issued under
1.14 United States Code, title 20, section 1078, whose terms are governed by United States
1.15 Code, title 20, section 1087e, as amended by Public Law 110-315, section 451.

1.16 (d) "Postsecondary educational institution" means a postsecondary institution as
1.17 defined in section 136A.101, subdivision 4.

1.18 (e) "Maximum qualifying amount" is the allowance for tuition and fees calculated
1.19 for the cost of attendance under section 136A.121, subdivision 6. For an eligible
1.20 individual who graduated from a four-year postsecondary educational institution, the
1.21 maximum qualifying amount equals the average of undergraduate tuition and required fees
1.22 at the University of Minnesota Twin Cities campus determined under section 136A.121,
1.23 subdivision 6.

2.1 Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the
2.2 tax due under this chapter.

2.3 (b) The maximum credit amount for an eligible individual equals the lesser of:

2.4 (1) the amount the individual paid during the taxable year to pay principal and
2.5 interest on qualified education loans, not to exceed \$4,000; or

2.6 (2) the maximum qualifying amount.

2.7 Subd. 3. **Limitations.** The amount of credit allowed under this section is reduced by
2.8 \$1 for every \$9 that the eligible individual's household income exceeds \$39,000. For the
2.9 purposes of this section, "household income" has the meaning given in section 290.067,
2.10 subdivision 2a. In the case of a married eligible individual, a credit is not allowed unless a
2.11 joint income tax return is filed.

2.12 Subd. 4. **Credit carryover.** If the credit provided under this section exceeds the tax
2.13 liability of the eligible individual for the taxable year, the excess amount of the credit may
2.14 be carried over to each of the ten taxable years succeeding the taxable year. The entire
2.15 amount of the credit must be carried to the earliest taxable year in which the amount may
2.16 be carried. The unused portion of the credit must be carried forward to the following
2.17 taxable year. No credit may be carried to a taxable year more than ten years after the
2.18 taxable year in which the credit was earned.

2.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.20 December 31, 2008.