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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 20

01/05/2017 Authored by Davids and Nornes
The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance
02/06/2017 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; providing a refundable credit for student
1.3 loan payments; proposing coding for new law in Minnesota Statutes, chapter 290.

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

1.5 Section 1. [290.0682] STUDENT LOAN CREDIT.

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

1.8 (b) "Adjusted gross income" means federal adjusted gross income as defined in section
1.9 62 of the Internal Revenue Code. In the case of a married couple filing jointly, "adjusted
1.10 gross income" means the adjusted gross income of the taxpayer and spouse.

1.11 (c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue
1.12 Code, except that earned income includes combat pay excluded from federal taxable income
1.13 under section 112 of the Internal Revenue Code.

1.14 (d) "Education profession" means:

1.15 (1) a full-time job in public education; early childhood education, including licensed or
1.16 regulated child care, Head Start, and state-funded prekindergarten; school-based library
1.17 sciences; and other school-based services; or

1.18 (2) a full-time job as a faculty member at a tribal college or university as defined in
1.19 section 1059c(b) of the Internal Revenue Code, and other faculty teaching in high-needs
1.20 subject areas or areas of shortage, including nurse faculty, foreign language faculty, and
1.21 part-time faculty at community colleges, as determined by the United States Secretary of
1.22 Education.

2.1 (e) "Eligible individual" means an individual who has one or more qualified education
2.2 loans related to an undergraduate or graduate degree program of the individual at a
2.3 postsecondary educational institution.

2.4 (f) "Eligible loan payments" means the amount the eligible individual paid during the
2.5 taxable year to pay principal and interest on qualified education loans.

2.6 (g) "Postsecondary educational institution" means a postsecondary institution eligible
2.7 for state student aid under section 136A.103 or, if the institution is not located in this state,
2.8 a postsecondary institution participating in the federal Pell Grant program under title IV of
2.9 the Higher Education Act of 1965, Public Law 89-329, as amended.

2.10 (h) "Public service job" means a full-time job in emergency management; government,
2.11 excluding time served as a member of Congress; military service; public safety; law
2.12 enforcement; public health, including nurses, nurse practitioners, nurses in a clinical setting,
2.13 and full-time professionals engaged in health care practitioner occupations and health care
2.14 support occupations, as defined by the Bureau of Labor Statistics; social work in a public
2.15 child or family service agency; public interest law services including prosecution or public
2.16 defense or legal advocacy on behalf of low-income communities at a nonprofit organization;
2.17 public service for individuals with disabilities or public service for the elderly; public library
2.18 sciences; or at an organization that is described in section 501(c)(3) of the Internal Revenue
2.19 Code and exempt from taxation under section 501(a) of the Internal Revenue Code.

2.20 (i) "Qualified education loan" has the meaning given in section 221 of the Internal
2.21 Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual.

2.22 Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax
2.23 due under this chapter. The credit equals a percentage of eligible loan payments in excess
2.24 of ten percent of adjusted gross income, up to \$1,000, as follows:

2.25 (1) for eligible individuals, 50 percent;

2.26 (2) for eligible individuals in a public service job, 65 percent; and

2.27 (3) for eligible individuals in an education profession, 75 percent.

2.28 (b) The credit must not exceed the eligible individual's earned income for the taxable
2.29 year.

2.30 (c) In the case of a married couple, each spouse is eligible for the credit in this section.

2.31 (d) For a nonresident or part-year resident, the credit must be allocated based on the
2.32 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

3.1 (e) An eligible individual may receive the credit under this section without regard to the
3.2 individual's eligibility for the public service loan forgiveness program under United States
3.3 Code, title 20, section 1087e(m).

3.4 Subd. 3. **Credit refundable.** If the amount of credit that an individual who is a resident
3.5 or part-year resident of Minnesota is eligible to receive under this section exceeds the
3.6 individual's tax liability under this chapter, the commissioner shall refund the excess to the
3.7 individual. For a nonresident taxpayer, the credit may not exceed the taxpayer's liability for
3.8 tax under this chapter.

3.9 Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section
3.10 is appropriated to the commissioner from the general fund.

3.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.12 31, 2016.