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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION H. F. No. 19

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

A bill for an act

relating to taxation; individual income; providing a refundable credit for student

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: |
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| 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. |
| 1.10 | (c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue |
| 1.11 | Code. |
| 1.12 | (d) "Eligible individual" means an individual with one or more qualified education loans |
| 1.13 | related to an undergraduate or graduate degree program at a postsecondary educational |
| 1.14 | <u>institution.</u> |
| 1.15 | (e) "Eligible loan payments" means the amount the eligible individual paid during the |
| 1.16 | taxable year to pay principal and interest on qualified education loans. |
| 1.17 | (f) "Postsecondary educational institution" means a postsecondary institution eligible |
| 1.18 | for state student aid under section 136A.103 or, if the institution is not located in this state, |
| 1.19 | a postsecondary institution participating in the federal Pell Grant program under title IV of |

Section 1.

the Higher Education Act of 1965, Public Law 89-329, as amended.

| 12/20/16 | REVISOR | EAP/RC | 17-0769 |
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| (g) "Qualified education loan" has the meaning given in section 221 of the Internal |
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| Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual |
| or the eligible individual's spouse. |
| Subd. 2. Credit allowed. (a) An eligible individual is allowed a credit against the tax |
| due under this chapter. |
| (b) The credit for an eligible individual equals the least of: |
| (1) eligible loan payments minus ten percent of an amount equal to adjusted gross income |
| in excess of \$10,000, but in no case less than zero; |
| (2) the earned income for the taxable year of the eligible individual and spouse, if any; |
| <u>or</u> |
| (3) the sum of: |
| (i) the interest portion of eligible loan payments made during the taxable year; and |
| (ii) ten percent of the original loan amount of all qualified education loans of the eligible |
| individual and the eligible individual's spouse. |
| (c) For a part-year resident, the credit must be allocated based on the percentage calculated |
| under section 290.06, subdivision 2c, paragraph (e). |
| Subd. 3. Credit refundable. If the amount of credit that an individual is eligible to |
| receive under this section exceeds the individual's tax liability under this chapter, the |
| commissioner shall refund the excess to the individual. |
| Subd. 4. Appropriation. An amount sufficient to pay the refunds required by this section |
| is appropriated to the commissioner from the general fund. |
| EFFECTIVE DATE. This section is effective for taxable years beginning after December |
| 31. 2016. |
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Section 1. 2