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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **387**

01/23/2017 Authored by Knoblach, Loon, Erickson, Garofalo, Kresha and others  
The bill was read for the first time and referred to the Committee on Education Innovation Policy  
02/01/2017 Adoption of Report: Re-referred to the Committee on Education Finance  
02/13/2017 Adoption of Report: Re-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 amount and credit phaseout threshold for inflation; amending  
1.6 Minnesota Statutes 2016, sections 290.0132, subdivision 4; 290.0674, subdivisions  
1.7 1, 2, by adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2016, section 290.0132, subdivision 4, is amended to read:

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

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

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

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

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

1.19 (1) ~~\$1,625~~ \$2,600 for each qualifying child in kindergarten through grade 6; and

1.20 (2) ~~\$2,500~~ \$3,900 for each qualifying child in grades 7 through 12.

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

2.1 (d) The maximum amounts allowed for each qualifying child under this paragraph must  
 2.2 be adjusted for inflation. The commissioner shall adjust the maximum amount by the  
 2.3 percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue  
 2.4 Code, except that in section 1(f)(3)(B) the word "2016" shall be substituted for the word  
 2.5 "1992." For 2018, the commissioner shall then determine the percent change from the 12  
 2.6 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in  
 2.7 each subsequent year, from the 12 months ending August 31, 2016, to the 12 months ending  
 2.8 on August 31 of the year preceding the taxable year. The amounts as adjusted for inflation  
 2.9 must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded  
 2.10 up to the nearest \$10 amount. The determination of the commissioner under this subdivision  
 2.11 is not a rule subject to the Administrative Procedure Act in chapter 14, including section  
 2.12 14.386.

2.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 2.14 31, 2016.

2.15 Sec. 2. Minnesota Statutes 2016, section 290.0674, subdivision 1, is amended to read:

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

2.20 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision  
 2.21 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association,  
 2.22 and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular  
 2.23 school day or school year, including tutoring, driver's education offered as part of school  
 2.24 curriculum, regardless of whether it is taken from a public or private entity or summer  
 2.25 camps, in grade or age appropriate curricula that supplement curricula and instruction  
 2.26 available during the regular school year, that assists a dependent to improve knowledge of  
 2.27 core curriculum areas or to expand knowledge and skills under the required academic  
 2.28 standards under section 120B.021, subdivision 1, and the elective standard under section  
 2.29 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets,  
 2.30 doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

2.31 (2) expenses for textbooks, including books and other instructional materials and  
 2.32 equipment purchased or leased for use in elementary and secondary schools in teaching  
 2.33 only those subjects legally and commonly taught in public elementary and secondary schools  
 2.34 in this state. "Textbooks" does not include instructional books and materials used in the

3.1 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such  
 3.2 tenets, doctrines, or worship, nor does it include books or materials for extracurricular  
 3.3 activities including sporting events, musical or dramatic events, speech activities, driver's  
 3.4 education, or similar programs;

3.5 (3) a maximum expense of \$200 per family for personal computer hardware, excluding  
 3.6 single purpose processors, and educational software that assists a dependent to improve  
 3.7 knowledge of core curriculum areas or to expand knowledge and skills under the required  
 3.8 academic standards under section 120B.021, subdivision 1, and the elective standard under  
 3.9 section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and  
 3.10 not used in a trade or business regardless of whether the computer is required by the  
 3.11 dependent's school; and

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

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

3.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 3.21 31, 2016.

3.22 Sec. 3. Minnesota Statutes 2016, section 290.0674, subdivision 2, is amended to read:

3.23 Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~\$33,500~~ \$50,000,  
 3.24 the maximum credit allowed for a family is ~~\$1,000~~ \$1,500 multiplied by the number of  
 3.25 qualifying children in kindergarten through grade 12 in the family. The maximum credit  
 3.26 for families with one qualifying child in kindergarten through grade 12 is reduced by \$1  
 3.27 for each ~~\$4~~ \$6 of household income over ~~\$33,500~~ \$50,000, and the maximum credit for  
 3.28 families with two or more qualifying children in kindergarten through grade 12 is reduced  
 3.29 by ~~\$2~~ \$1 for each ~~\$4~~ \$3 of household income over ~~\$33,500~~ \$50,000, but in no case is the  
 3.30 credit less than zero.

3.31 For purposes of this section "income" has the meaning given in section 290.067,  
 3.32 subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income  
 3.33 tax return is filed.

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

4.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.5 31, 2016.

4.6 Sec. 4. Minnesota Statutes 2016, section 290.0674, is amended by adding a subdivision  
4.7 to read:

4.8 Subd. 6. **Inflation adjustment.** The credit amount and the income threshold at which  
4.9 the maximum credit begins to be reduced in subdivision 2 must be adjusted for inflation.  
4.10 The commissioner shall adjust the credit amount and income threshold by the percentage  
4.11 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
4.12 that in section 1(f)(3)(B) the word "2016" shall be substituted for the word "1992." For  
4.13 2018, the commissioner shall then determine the percent change from the 12 months ending  
4.14 on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent  
4.15 year, from the 12 months ending August 31, 2016, to the 12 months ending on August 31  
4.16 of the year preceding the taxable year. The credit amount and income threshold as adjusted  
4.17 for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount  
4.18 is rounded up to the nearest \$10 amount. The determination of the commissioner under this  
4.19 subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including  
4.20 section 14.386.

4.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.22 31, 2016.