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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3491

02/19/2026 Authored by Myers, Kresha, Bakeberg, Demuth, Bennett and others
The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to education finance; authorizing scholarship-granting organizations; amending Minnesota Statutes 2024, section 290.01, subdivision 31; proposing coding for new law in Minnesota Statutes, chapter 127A.

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

Section 1. **[127A.135] SCHOLARSHIP-GRANTING ORGANIZATIONS.**

Subdivision 1. **Minnesota is a covered state.** Minnesota elects to participate in the tax credit under Public Law 119-21, section 70411.

Subd. 2. **Scholarship-granting organization defined.** (a) For purposes of this section, "scholarship-granting organization" means a nonprofit corporation operated exclusively for charitable purposes exempt from federal income taxation under section 501(c)(3) of the United States Internal Revenue Code that:

(1) is in compliance with the United States Department of Treasury rules and guidance for scholarship-granting organizations;

(2) maintains separate accounts for qualified contributions;

(3) awards scholarships to at least ten students, not all of whom must attend the same school;

(4) spends at least 90 percent of the income the organization receives on student scholarships;

(5) prioritizes returning students and siblings of current recipients;

(6) does not earmark funding for specific students;

(7) verifies household income and family size; and

(8) avoids self-dealing and does not award scholarships to disqualified persons.

(b) By July 1 of each year, a scholarship-granting organization must annually notify the Department of Education of the organization's compliance with the United States Department of Treasury rules and guidance.

Subd. 3. **List of eligible scholarship-granting organizations.** The Department of Education must post to the department's website a list of qualifying scholarship-granting organizations that have reported their eligibility to the department under subdivision 2.

Subd. 4. **Effect on nonpublic schooling.** Nothing in this section authorizes the Department of Education or any school district to exercise any additional control or supervision over, or to impose any additional requirements or restrictions on, any nonpublic school, nonpublic school student, or parent of any nonpublic school student.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2024, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 1, 2023, and also includes section 70411 of Public Law 119-21. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.