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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2084**

03/23/2015 Authored by Davids and Slocum

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance

1.1 A bill for an act
1.2 relating to taxation; individual income; allowing a refundable credit for student
1.3 loan principal and interest payments; appropriating money; proposing coding for
1.4 new law in Minnesota Statutes, chapter 290.

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

1.6 Section 1. **[290.0684] STUDENT LOAN CREDIT.**

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

1.9 (b) "Adjusted gross income" means federal adjusted gross income as defined in
1.10 section 62 of the Internal Revenue Code.

1.11 (c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue
1.12 Code.

1.13 (d) "Eligible individual" means an individual with one or more qualified education
1.14 loans related to an undergraduate or graduate degree program at a postsecondary
1.15 educational institution.

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

1.18 (f) "Postsecondary educational institution" means a postsecondary institution eligible
1.19 for state student aid under section 136A.103 or, if the institution is not located in this state,
1.20 a postsecondary institution participating in the federal Pell Grant program under Title IV
1.21 of the Higher Education Act of 1965, Public Law 89-329, as amended.

1.22 (g) "Qualified education loan" has the meaning given in section 221 of the Internal
1.23 Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual
1.24 or the eligible individual's spouse.

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

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

2.4 (1) eligible loan payments minus ten percent of an amount equal to adjusted gross
2.5 income in excess of \$10,000, but in no case less than zero;

2.6 (2) the earned income for the taxable year of the eligible individual and spouse,
2.7 if any; or

2.8 (3) the sum of:

2.9 (i) the interest portion of eligible loan payments made during the taxable year; and

2.10 (ii) ten percent of the original loan amount of all qualified education loans of the
2.11 eligible individual and the eligible individual's spouse.

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

2.14 Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible
2.15 to receive under this section exceeds the individual's tax liability under this chapter, the
2.16 commissioner shall refund the excess to the individual.

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

2.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.20 December 31, 2014.