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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. **2171**

03/11/2021 Authored by Keeler; Youakim; Hanson, J.; Koegel and Her
The bill was read for the first time and 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 credit; amending Minnesota Statutes 2020, sections 290.0674, subdivision 2;
1.4 290.0679, subdivisions 1, 3; repealing Minnesota Statutes 2020, section 290.0674,
1.5 subdivision 2a.

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

1.7 Section 1. Minnesota Statutes 2020, section 290.0674, subdivision 2, is amended to read:

1.8 Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~\$33,500~~ the income
1.9 eligibility guideline, the maximum credit allowed for a family is \$1,000 multiplied by the
1.10 number of qualifying children in kindergarten through grade 12 in the family. The maximum
1.11 credit for families with one qualifying child in kindergarten through grade 12 is reduced by
1.12 \$1 for each \$4 of ~~household~~ income over ~~\$33,500~~ the income eligibility guideline, and the
1.13 maximum credit for families with two or more qualifying children in kindergarten through
1.14 grade 12 is reduced by \$2 for each \$4 of ~~household~~ income over ~~\$33,500~~ the income
1.15 eligibility guideline, but in no case is the credit less than zero. For purposes of this
1.16 subdivision, "income" and "income eligibility guideline" mean the amounts determined
1.17 under United States Code, title 42, section 1758(b)(1), for reduced-price lunch as of July 1
1.18 of the taxable year.

1.19 (b) In the case of a married claimant, a credit is not allowed unless a joint income tax
1.20 return is filed.

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

2.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.2 31, 2020.

2.3 Sec. 2. Minnesota Statutes 2020, section 290.0679, subdivision 1, is amended to read:

2.4 Subdivision 1. **Definitions.** (a) "Qualifying taxpayer" means a resident who has a child
 2.5 in kindergarten through grade 12 in the current tax year ~~and who met the income requirements~~
 2.6 ~~under section 290.0674, subdivision 2, for receiving the education credit in the tax year~~
 2.7 ~~preceding the assignment of the taxpayer's refund.~~

2.8 (b) "Education credit" means the credit allowed under section 290.0674.

2.9 (c) "Refund" means an individual income tax refund.

2.10 (d) "Financial institution" means a state or federally chartered bank, savings bank, savings
 2.11 association, or credit union.

2.12 (e) "Qualifying organization" means a tax-exempt organization under section 501(c)(3)
 2.13 of the Internal Revenue Code.

2.14 (f) "Assignee" means a financial institution or qualifying organization that is entitled to
 2.15 receive payment of a refund assigned under this section.

2.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.17 31, 2020.

2.18 Sec. 3. Minnesota Statutes 2020, section 290.0679, subdivision 3, is amended to read:

2.19 Subd. 3. **Consent for disclosure.** When the taxpayer applies to the financial institution
 2.20 or the qualifying organization for a loan to be secured by the assignment under subdivision
 2.21 2 and the refund is from a joint return, the taxpayer and taxpayer's spouse must sign a written
 2.22 ~~consent on a form prescribed by the commissioner. The consent must authorize~~ authorizing
 2.23 the commissioner to disclose to the financial institution or qualifying organization the total
 2.24 amount of state taxes owed or revenue recapture claims filed under chapter 270A against
 2.25 the taxpayer and taxpayer's spouse, and the total amount of outstanding assignments made
 2.26 by the taxpayer and taxpayer's spouse under this section. ~~For a refund from a joint return,~~
 2.27 ~~the consent must also authorize the disclosure of taxes, revenue recapture claims, and~~
 2.28 ~~assignments relating to the taxpayer's spouse, and must be signed by the spouse. The consent~~
 2.29 must be made on a form prescribed by the commissioner and must be signed by the taxpayer
 2.30 and taxpayer's spouse. The financial institution or qualifying organization may request that
 2.31 the taxpayer provide a copy of the taxpayer's previous year's income tax return, if any, and

3.1 may assist the taxpayer in requesting a copy of the previous year's return from the
3.2 commissioner.

3.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.4 31, 2020.

3.5 Sec. 4. **REPEALER.**

3.6 Minnesota Statutes 2020, section 290.0674, subdivision 2a, is repealed.

3.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.8 31, 2020.

290.0674 MINNESOTA EDUCATION CREDIT.

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):

- (i) all nontaxable income;

- (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

- (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

- (iv) cash public assistance and relief;

- (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

- (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

- (vii) workers' compensation;

- (viii) nontaxable strike benefits;

- (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

- (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

- (xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

- (xii) nontaxable scholarship or fellowship grants;

- (xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

- (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

- (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

- (xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

- (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

- (2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

- (3) surplus food or other relief in kind supplied by a governmental agency;

- (4) relief granted under chapter 290A;

APPENDIX
Repealed Minnesota Statutes: 21-01836

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.