

2.1 prekindergarten educational program. For the purposes of this clause, "tuition" includes
2.2 fees or tuition as defined in section 290.0674, subdivision 1, clause (1).

2.3 As used in this clause, "prekindergarten educational program" means:

2.4 (i) prekindergarten programs established by a school district under chapter 124D;

2.5 (ii) preschools, nursery schools, and early childhood development programs licensed
2.6 by the Department of Human Services and accredited by the National Association for the
2.7 Education of Young Children or National Early Childhood Program Accreditation;

2.8 (iii) Montessori programs affiliated with or accredited by the American Montessori
2.9 Society or American Montessori International; and

2.10 (iv) child care programs provided by family day care providers holding a current
2.11 early childhood development credential approved by the commissioner of human services.

2.12 As used in this clause, "textbooks" includes books and other instructional materials
2.13 and equipment purchased or leased for use in elementary and secondary schools in teaching
2.14 only those subjects legally and commonly taught in public elementary and secondary
2.15 schools in this state. Equipment expenses qualifying for deduction includes expenses as
2.16 defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does
2.17 not include instructional books and materials used in the teaching of religious tenets,
2.18 doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship,
2.19 nor does it include books or materials for, or transportation to, extracurricular activities
2.20 including sporting events, musical or dramatic events, speech activities, driver's education,
2.21 or similar programs. No deduction is permitted for any expense the taxpayer incurred in
2.22 using the taxpayer's or the qualifying child's vehicle to provide such transportation for
2.23 a qualifying child. For purposes of the subtraction provided by this clause, "qualifying
2.24 child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

2.25 (4) income as provided under section 290.0802;

2.26 (5) to the extent included in federal adjusted gross income, income realized on
2.27 disposition of property exempt from tax under section 290.491;

2.28 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)
2.29 of the Internal Revenue Code in determining federal taxable income by an individual
2.30 who does not itemize deductions for federal income tax purposes for the taxable year, an
2.31 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
2.32 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,
2.33 under the provisions of Public Law 109-1 and Public Law 111-126;

2.34 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not
2.35 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
2.36 of subnational foreign taxes for the taxable year, but not to exceed the total subnational

3.1 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
3.2 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
3.3 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed
3.4 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
3.5 the extent they exceed the federal foreign tax credit;

3.6 (8) in each of the five tax years immediately following the tax year in which an
3.7 addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a
3.8 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
3.9 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount
3.10 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,
3.11 clause (12), in the case of a shareholder of an S corporation, minus the positive value of
3.12 any net operating loss under section 172 of the Internal Revenue Code generated for the
3.13 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

3.14 (9) job opportunity building zone income as provided under section 469.316;

3.15 (10) to the extent included in federal taxable income, the amount of compensation
3.16 paid to members of the Minnesota National Guard or other reserve components of the
3.17 United States military for active service, including compensation for services performed
3.18 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
3.19 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
3.20 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
3.21 5b, and "active service" includes service performed in accordance with section 190.08,
3.22 subdivision 3;

3.23 (11) to the extent included in federal taxable income, the amount of compensation
3.24 paid to Minnesota residents who are members of the armed forces of the United States
3.25 or United Nations for active duty performed under United States Code, title 10; or the
3.26 authority of the United Nations;

3.27 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a
3.28 qualified donor's donation, while living, of one or more of the qualified donor's organs
3.29 to another person for human organ transplantation. For purposes of this clause, "organ"
3.30 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
3.31 "human organ transplantation" means the medical procedure by which transfer of a human
3.32 organ is made from the body of one person to the body of another person; "qualified
3.33 expenses" means unreimbursed expenses for both the individual and the qualified donor
3.34 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
3.35 may be subtracted under this clause only once; and "qualified donor" means the individual
3.36 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An

4.1 individual may claim the subtraction in this clause for each instance of organ donation for
4.2 transplantation during the taxable year in which the qualified expenses occur;

4.3 (13) in each of the five tax years immediately following the tax year in which an
4.4 addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a
4.5 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
4.6 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the
4.7 case of a shareholder of a corporation that is an S corporation, minus the positive value of
4.8 any net operating loss under section 172 of the Internal Revenue Code generated for the
4.9 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
4.10 subtraction is not allowed under this clause;

4.11 (14) to the extent included in the federal taxable income of a nonresident of
4.12 Minnesota, compensation paid to a service member as defined in United States Code, title
4.13 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
4.14 Act, Public Law 108-189, section 101(2);

4.15 (15) to the extent included in federal taxable income, the amount of national service
4.16 educational awards received from the National Service Trust under United States Code,
4.17 title 42, sections 12601 to 12604, for service in an approved Americorps National Service
4.18 program;

4.19 (16) to the extent included in federal taxable income, discharge of indebtedness
4.20 income resulting from reacquisition of business indebtedness included in federal taxable
4.21 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
4.22 to the extent that the income was included in net income in a prior year as a result of the
4.23 addition under subdivision 19a, clause (13);

4.24 (17) the amount of the net operating loss allowed under section 290.095, subdivision
4.25 11, paragraph (c);

4.26 (18) the amount of expenses not allowed for federal income tax purposes due
4.27 to claiming the railroad track maintenance credit under section 45G(a) of the Internal
4.28 Revenue Code;

4.29 (19) the amount of the limitation on itemized deductions under section 68(b) of the
4.30 Internal Revenue Code;

4.31 (20) the amount of the phaseout of personal exemptions under section 151(d) of
4.32 the Internal Revenue Code; and

4.33 (21) to the extent included in federal taxable income, the amount of qualified
4.34 transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal
4.35 Revenue Code. The subtraction is limited to the lesser of the amount of qualified
4.36 transportation fringe benefits received in excess of the limitations under section

5.1 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the
5.2 maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal
5.3 Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A)
5.4 of the Internal Revenue Code.

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

5.7 Sec. 2. Minnesota Statutes 2014, section 290.0674, subdivision 1, is amended to read:

5.8 Subdivision 1. **Credit allowed.** An individual is allowed a credit against the
5.9 tax imposed by this chapter in an amount equal to 75 percent of the amount paid for
5.10 education-related expenses for a qualifying child in a prekindergarten educational program
5.11 or in kindergarten through grade 12. For purposes of this section, "education-related
5.12 expenses" means:

5.13 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision
5.14 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers
5.15 Association, and who is not a lineal ancestor or sibling of the dependent for instruction
5.16 outside the regular school day or school year, including tutoring, driver's education
5.17 offered as part of school curriculum, regardless of whether it is taken from a public or
5.18 private entity or summer camps, in grade or age appropriate curricula that supplement
5.19 curricula and instruction available during the regular school year, that assists a dependent
5.20 to improve knowledge of core curriculum areas or to expand knowledge and skills under
5.21 the required academic standards under section 120B.021, subdivision 1, and the elective
5.22 standard under section 120B.022, subdivision 1, clause (2), and that do not include the
5.23 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such
5.24 tenets, doctrines, or worship, and fees for enrollment in a prekindergarten educational
5.25 program as defined in section 290.01, subdivision 19b, to the extent not used to claim
5.26 the credit under section 290.067;

5.27 (2) expenses for textbooks, including books and other instructional materials and
5.28 equipment purchased or leased for use in elementary and secondary schools in teaching
5.29 only those subjects legally and commonly taught in public elementary and secondary
5.30 schools in this state. "Textbooks" does not include instructional books and materials
5.31 used in the teaching of religious tenets, doctrines, or worship, the purpose of which is
5.32 to instill such tenets, doctrines, or worship, nor does it include books or materials for
5.33 extracurricular activities including sporting events, musical or dramatic events, speech
5.34 activities, driver's education, or similar programs;

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

6.8 (4) the amount paid to others for transportation of a qualifying child attending an
6.9 elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa,
6.10 or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory
6.11 attendance laws, which is not operated for profit, and which adheres to the provisions of
6.12 the Civil Rights Act of 1964 and chapter 363A.

6.13 For purposes of this section, "qualifying child" has the meaning given in section
6.14 32(c)(3) of the Internal Revenue Code.

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