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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2529

02/27/2014 Authored by Runbeck, Myhra and Scott

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 Minnesota education credit
1.3 by adding additional allowances; amending Minnesota Statutes 2012, sections
1.4 290.0674, subdivisions 1, 2, 4, by adding subdivisions; 290.0679, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2012, section 290.0674, subdivision 1, is amended to read:

1.7 Subdivision 1. **Education credit allowed.** An individual is allowed a credit against
1.8 the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for
1.9 education-related expenses, less the amount of expenses used to claim the credit under
1.10 subdivision 1a, for a qualifying child in kindergarten through grade 12. For purposes of
1.11 this section, "education-related expenses" means:

1.12 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision
1.13 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers
1.14 Association, and who is not a lineal ancestor or sibling of the dependent for instruction
1.15 outside the regular school day or school year, including tutoring, driver's education
1.16 offered as part of school curriculum, regardless of whether it is taken from a public or
1.17 private entity or summer camps, in grade or age appropriate curricula that supplement
1.18 curricula and instruction available during the regular school year, that assists a dependent
1.19 to improve knowledge of core curriculum areas or to expand knowledge and skills under
1.20 the required academic standards under section 120B.021, subdivision 1, and the elective
1.21 standard under section 120B.022, subdivision 1, clause (2), and that do not include the
1.22 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such
1.23 tenets, doctrines, or worship;

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 2. Minnesota Statutes 2012, section 290.0674, is amended by adding a subdivision to read:

Subd. 1a. Reading credit allowed. (a) An individual is allowed a credit, up to \$2,000, against the tax imposed by this chapter. The credit amount equals 75 percent of the amount paid for actual expenses, not compensated by insurance or otherwise, for the treatment, by an instructor, of dyslexia or any reading disorder, disability, or difficulty that impairs a qualifying child to read and comprehend language at an expected age level.

(b) For the purposes of this subdivision, "treatment" means instruction that:

(1) teaches language decoding skills in a systematic manner;

(2) uses recognized diagnostic assessments to determine what intervention would be most appropriate for individual students; and

3.1 (3) utilizes a research-based method.

3.2 (c) For the purposes of this subdivision, "instructor" means a person qualifying
3.3 under section 120A.22, subdivision 10, clauses (1) to (5), who is not a lineal ancestor
3.4 or sibling of the qualifying child.

3.5 (d) This subdivision expires beginning with taxable years beginning after December
3.6 31, 2016.

3.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.8 December 31, 2013.

3.9 Sec. 3. Minnesota Statutes 2012, section 290.0674, is amended by adding a subdivision
3.10 to read:

3.11 Subd. 1b. **Reading educator credit allowed.** An individual is allowed a credit, up
3.12 to \$1,000, against the tax imposed by this chapter in an amount equal to 75 percent of
3.13 the amount paid for training in the diagnosis and treatment of dyslexia. The individual
3.14 claiming the credit must be a Minnesota licensed teacher and the training for which the
3.15 credit is claimed must be offered through a program that has been field tested and shown to
3.16 be effective for dyslexic students that incorporates a complete multisensorial curriculum.

3.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.18 December 31, 2013.

3.19 Sec. 4. Minnesota Statutes 2012, section 290.0674, subdivision 2, is amended to read:

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

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

3.31 (b) For a nonresident or part-year resident, the credit determined under subdivision
3.32 1 and the maximum credit amount in paragraph (a) and the credits determined under

4.1 subdivisions 1a and 1b must be allocated using the percentage calculated in section
4.2 290.06, subdivision 2c, paragraph (e).

4.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.4 December 31, 2013.

4.5 Sec. 5. Minnesota Statutes 2012, section 290.0674, subdivision 4, is amended to read:

4.6 Subd. 4. **Credit to be refundable.** If the amount of ~~credit~~ total credits that the
4.7 claimant is eligible to receive under this section exceeds the claimant's tax liability under
4.8 this chapter, the commissioner shall refund the excess to the claimant.

4.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.10 December 31, 2013.

4.11 Sec. 6. Minnesota Statutes 2012, section 290.0679, subdivision 1, is amended to read:

4.12 Subdivision 1. **Definitions.** (a) "Qualifying taxpayer" means a resident who has
4.13 a child in kindergarten through grade 12 in the current tax year and who (1) met the
4.14 income requirements under section 290.0674, subdivision 2, for receiving the education
4.15 credit in the tax year preceding the assignment of the taxpayer's refund, or (2) is allowed
4.16 a reading credit under section 290.0674.

4.17 (b) "Education credit" means the credit allowed under section 290.0674, subdivision
4.18 1 or 1a.

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

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

4.22 (e) "Qualifying organization" means a tax-exempt organization under section
4.23 501(c)(3) of the Internal Revenue Code.

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

4.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.27 December 31, 2013.