

S.F. No. 1904, as introduced - 87th Legislative Session (2011-2012) [12-5240]

2.1 Subd. 2. **Eligible nonpublic schools.** To be eligible to participate under this section,
2.2 a nonpublic school must comply with chapter 363A and administer either the statewide
2.3 reading and mathematics tests under section 120B.30 or a nationally norm-referenced
2.4 standardized achievement exam to its students enrolled under this section.

2.5 The commissioner shall ensure that the nonpublic school complies with the
2.6 requirements of this subdivision.

2.7 Subd. 3. **Tuition funding for students transferring to nonpublic schools.** If a
2.8 student transfers to a nonpublic school under this section, and upon receiving proof that
2.9 the student is enrolled in the nonpublic school, the commissioner shall make quarterly
2.10 payments to the student's parent or guardian in an amount equal to the lesser of the
2.11 state average general education revenue per pupil unit, calculated without transportation
2.12 sparsity revenue, or the nonpublic school's operating and debt service cost per pupil that is
2.13 related to educational programming, as determined by the commissioner. The total amount
2.14 of the payments must not exceed the tuition and fees charged at the nonpublic school or
2.15 the amount calculated under this subdivision, whichever is less. The commissioner shall
2.16 send the check to the nonpublic school, and the parent or guardian shall restrictively
2.17 endorse the check for the nonpublic school's use.

2.18 Subd. 4. **Student transportation.** A resident school district is responsible for
2.19 providing transportation within the district's borders for a student who enrolls in a
2.20 nonpublic school under this section and shall receive transportation funding equal to the
2.21 actual costs in the current school year for those transportation services.

2.22 Subd. 5. **Funding for student testing.** The state shall pay the nonpublic school
2.23 costs of administering tests given under section 120B.30 for a student enrolled under
2.24 this section.

2.25 Subd. 6. **Curriculum review; exemption from instruction.** A nonpublic school
2.26 must provide a procedure for a parent, guardian, or an adult student, 18 years of age or
2.27 older, to review the content of instructional materials, and if found objectionable, the
2.28 student shall be exempt from the instruction upon request.

2.29 Subd. 7. **Financial audit.** A nonpublic school enrolling students under this section
2.30 must submit to the commissioner by November 15 of each year a summary of audited
2.31 financial data for the preceding fiscal year.

2.32 Subd. 8. **List of nonpublic schools.** The commissioner shall publish a list of
2.33 participating nonpublic schools.

2.34 **EFFECTIVE DATE.** This section is effective the day following final enactment
2.35 and applies to the 2012-2013 school year and later.

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3.1 Sec. 2. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19a, is
3.2 amended to read:

3.3 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
3.4 trusts, there shall be added to federal taxable income:

3.5 (1)(i) interest income on obligations of any state other than Minnesota or a political
3.6 or governmental subdivision, municipality, or governmental agency or instrumentality
3.7 of any state other than Minnesota exempt from federal income taxes under the Internal
3.8 Revenue Code or any other federal statute; and

3.9 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
3.10 Code, except:

3.11 (A) the portion of the exempt-interest dividends exempt from state taxation under
3.12 the laws of the United States; and

3.13 (B) the portion of the exempt-interest dividends derived from interest income
3.14 on obligations of the state of Minnesota or its political or governmental subdivisions,
3.15 municipalities, governmental agencies or instrumentalities, but only if the portion of the
3.16 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
3.17 95 percent or more of the exempt-interest dividends, including any dividends exempt
3.18 under subitem (A), that are paid by the regulated investment company as defined in section
3.19 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
3.20 defined in section 851(g) of the Internal Revenue Code, making the payment; and

3.21 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
3.22 government described in section 7871(c) of the Internal Revenue Code shall be treated as
3.23 interest income on obligations of the state in which the tribe is located;

3.24 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or
3.25 accrued within the taxable year under this chapter and the amount of taxes based on net
3.26 income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state
3.27 or to any province or territory of Canada, to the extent allowed as a deduction under
3.28 section 63(d) of the Internal Revenue Code, but the addition may not be more than the
3.29 amount by which the itemized deductions as allowed under section 63(d) of the Internal
3.30 Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of
3.31 the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C)
3.32 and 63(c)(1)(E) of the Internal Revenue Code, minus any addition that would have been
3.33 required under clause (21) if the taxpayer had claimed the standard deduction. For the
3.34 purpose of this paragraph, the disallowance of itemized deductions under section 68 of
3.35 the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise
3.36 taxes are the last itemized deductions disallowed;

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4.1 (3) the capital gain amount of a lump-sum distribution to which the special tax under
4.2 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

4.3 (4) the amount of income taxes paid or accrued within the taxable year under this
4.4 chapter and taxes based on net income paid to any other state or any province or territory
4.5 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
4.6 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
4.7 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

4.8 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
4.9 other than expenses or interest used in computing net interest income for the subtraction
4.10 allowed under subdivision 19b, clause (1);

4.11 (6) the amount of a partner's pro rata share of net income which does not flow
4.12 through to the partner because the partnership elected to pay the tax on the income under
4.13 section 6242(a)(2) of the Internal Revenue Code;

4.14 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
4.15 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
4.16 in the taxable year generates a deduction for depreciation under section 168(k) and the
4.17 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
4.18 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
4.19 limited to excess of the depreciation claimed by the activity under section 168(k) over the
4.20 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
4.21 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
4.22 under section 168(k) is allowed;

4.23 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
4.24 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
4.25 Revenue Code of 1986, as amended through December 31, 2003;

4.26 (9) to the extent deducted in computing federal taxable income, the amount of the
4.27 deduction allowable under section 199 of the Internal Revenue Code;

4.28 (10) for taxable years beginning before January 1, 2013, the exclusion allowed
4.29 under section 139A of the Internal Revenue Code for federal subsidies for prescription
4.30 drug plans;

4.31 (11) the amount of expenses disallowed under section 290.10, subdivision 2;

4.32 (12) for taxable years beginning before January 1, 2010, the amount deducted for
4.33 qualified tuition and related expenses under section 222 of the Internal Revenue Code, to
4.34 the extent deducted from gross income;

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5.1 (13) for taxable years beginning before January 1, 2010, the amount deducted for
5.2 certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)
5.3 of the Internal Revenue Code, to the extent deducted from gross income;

5.4 (14) the additional standard deduction for property taxes payable that is allowable
5.5 under section 63(c)(1)(C) of the Internal Revenue Code;

5.6 (15) the additional standard deduction for qualified motor vehicle sales taxes
5.7 allowable under section 63(c)(1)(E) of the Internal Revenue Code;

5.8 (16) discharge of indebtedness income resulting from reacquisition of business
5.9 indebtedness and deferred under section 108(i) of the Internal Revenue Code;

5.10 (17) the amount of unemployment compensation exempt from tax under section
5.11 85(c) of the Internal Revenue Code;

5.12 (18) the amount of the deduction under section 170 of the Internal Revenue Code
5.13 that represents contributions to a qualified foundation under section 290.0682;

5.14 (19) changes to federal taxable income attributable to a net operating loss that the
5.15 taxpayer elected to carry back for more than two years for federal purposes but for which
5.16 the losses can be carried back for only two years under section 290.095, subdivision
5.17 11, paragraph (c);

5.18 ~~(19)~~ (20) to the extent included in the computation of federal taxable income in
5.19 taxable years beginning after December 31, 2010, the amount of disallowed itemized
5.20 deductions, but the amount of disallowed itemized deductions plus the addition required
5.21 under clause (2) may not be more than the amount by which the itemized deductions as
5.22 allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the
5.23 standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding
5.24 the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue
5.25 Code, and reduced by any addition that would have been required under clause (21) if the
5.26 taxpayer had claimed the standard deduction:

5.27 (i) the amount of disallowed itemized deductions is equal to the lesser of:

5.28 (A) three percent of the excess of the taxpayer's federal adjusted gross income
5.29 over the applicable amount; or

5.30 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the
5.31 taxpayer under the Internal Revenue Code for the taxable year;

5.32 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a
5.33 married individual filing a separate return. Each dollar amount shall be increased by
5.34 an amount equal to:

5.35 (A) such dollar amount, multiplied by

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6.1 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
6.2 Revenue Code for the calendar year in which the taxable year begins, by substituting
6.3 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

6.4 (iii) the term "itemized deductions" does not include:

6.5 (A) the deduction for medical expenses under section 213 of the Internal Revenue
6.6 Code;

6.7 (B) any deduction for investment interest as defined in section 163(d) of the Internal
6.8 Revenue Code; and

6.9 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or
6.10 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue
6.11 Code or for losses described in section 165(d) of the Internal Revenue Code;

6.12 ~~(20)~~ (21) to the extent included in federal taxable income in taxable years beginning
6.13 after December 31, 2010, the amount of disallowed personal exemptions for taxpayers
6.14 with federal adjusted gross income over the threshold amount:

6.15 (i) the disallowed personal exemption amount is equal to the dollar amount of the
6.16 personal exemptions claimed by the taxpayer in the computation of federal taxable income
6.17 multiplied by the applicable percentage;

6.18 (ii) "applicable percentage" means two percentage points for each \$2,500 (or
6.19 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable
6.20 year exceeds the threshold amount. In the case of a married individual filing a separate
6.21 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In
6.22 no event shall the applicable percentage exceed 100 percent;

6.23 (iii) the term "threshold amount" means:

6.24 (A) \$150,000 in the case of a joint return or a surviving spouse;

6.25 (B) \$125,000 in the case of a head of a household;

6.26 (C) \$100,000 in the case of an individual who is not married and who is not a
6.27 surviving spouse or head of a household; and

6.28 (D) \$75,000 in the case of a married individual filing a separate return; and

6.29 (iv) the thresholds shall be increased by an amount equal to:

6.30 (A) such dollar amount, multiplied by

6.31 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
6.32 Revenue Code for the calendar year in which the taxable year begins, by substituting
6.33 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

6.34 ~~(21)~~ (22) to the extent deducted in the computation of federal taxable income,
6.35 for taxable years beginning after December 31, 2010, and before January 1, 2013, the
6.36 difference between the standard deduction allowed under section 63(c) of the Internal

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7.1 Revenue Code and the standard deduction allowed for 2011 and 2012 under the Internal
7.2 Revenue Code as amended through December 1, 2010.

7.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
7.4 December 31, 2011.

7.5 Sec. 3. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19c, is
7.6 amended to read:

7.7 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
7.8 there shall be added to federal taxable income:

7.9 (1) the amount of any deduction taken for federal income tax purposes for income,
7.10 excise, or franchise taxes based on net income or related minimum taxes, including but not
7.11 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
7.12 another state, a political subdivision of another state, the District of Columbia, or any
7.13 foreign country or possession of the United States;

7.14 (2) interest not subject to federal tax upon obligations of: the United States, its
7.15 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
7.16 state, any of its political or governmental subdivisions, any of its municipalities, or any
7.17 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
7.18 tribal governments;

7.19 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
7.20 Revenue Code;

7.21 (4) the amount of any net operating loss deduction taken for federal income tax
7.22 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
7.23 deduction under section 810 of the Internal Revenue Code;

7.24 (5) the amount of any special deductions taken for federal income tax purposes
7.25 under sections 241 to 247 and 965 of the Internal Revenue Code;

7.26 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
7.27 clause (a), that are not subject to Minnesota income tax;

7.28 (7) the amount of any capital losses deducted for federal income tax purposes under
7.29 sections 1211 and 1212 of the Internal Revenue Code;

7.30 (8) the exempt foreign trade income of a foreign sales corporation under sections
7.31 921(a) and 291 of the Internal Revenue Code;

7.32 (9) the amount of percentage depletion deducted under sections 611 through 614 and
7.33 291 of the Internal Revenue Code;

7.34 (10) for certified pollution control facilities placed in service in a taxable year
7.35 beginning before December 31, 1986, and for which amortization deductions were elected

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8.1 under section 169 of the Internal Revenue Code of 1954, as amended through December
8.2 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
8.3 income for those facilities;

8.4 (11) the amount of any deemed dividend from a foreign operating corporation
8.5 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
8.6 shall be reduced by the amount of the addition to income required by clauses (20), (21),
8.7 (22), and (23);

8.8 (12) the amount of a partner's pro rata share of net income which does not flow
8.9 through to the partner because the partnership elected to pay the tax on the income under
8.10 section 6242(a)(2) of the Internal Revenue Code;

8.11 (13) the amount of net income excluded under section 114 of the Internal Revenue
8.12 Code;

8.13 (14) any increase in subpart F income, as defined in section 952(a) of the Internal
8.14 Revenue Code, for the taxable year when subpart F income is calculated without regard to
8.15 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

8.16 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
8.17 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
8.18 has an activity that in the taxable year generates a deduction for depreciation under
8.19 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
8.20 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
8.21 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
8.22 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
8.23 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
8.24 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
8.25 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

8.26 (16) 80 percent of the amount by which the deduction allowed by section 179 of the
8.27 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
8.28 Revenue Code of 1986, as amended through December 31, 2003;

8.29 (17) to the extent deducted in computing federal taxable income, the amount of the
8.30 deduction allowable under section 199 of the Internal Revenue Code;

8.31 (18) for taxable years beginning before January 1, 2013, the exclusion allowed
8.32 under section 139A of the Internal Revenue Code for federal subsidies for prescription
8.33 drug plans;

8.34 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

8.35 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,
8.36 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit

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9.1 of a corporation that is a member of the taxpayer's unitary business group that qualifies
9.2 as a foreign operating corporation. For purposes of this clause, intangible expenses and
9.3 costs include:

9.4 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
9.5 use, maintenance or management, ownership, sale, exchange, or any other disposition of
9.6 intangible property;

9.7 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
9.8 transactions;

9.9 (iii) royalty, patent, technical, and copyright fees;

9.10 (iv) licensing fees; and

9.11 (v) other similar expenses and costs.

9.12 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
9.13 applications, trade names, trademarks, service marks, copyrights, mask works, trade
9.14 secrets, and similar types of intangible assets.

9.15 This clause does not apply to any item of interest or intangible expenses or costs paid,
9.16 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
9.17 to such item of income to the extent that the income to the foreign operating corporation
9.18 is income from sources without the United States as defined in subtitle A, chapter 1,
9.19 subchapter N, part 1, of the Internal Revenue Code;

9.20 (21) except as already included in the taxpayer's taxable income pursuant to clause
9.21 (20), any interest income and income generated from intangible property received or
9.22 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
9.23 group. For purposes of this clause, income generated from intangible property includes:

9.24 (i) income related to the direct or indirect acquisition, use, maintenance or
9.25 management, ownership, sale, exchange, or any other disposition of intangible property;

9.26 (ii) income from factoring transactions or discounting transactions;

9.27 (iii) royalty, patent, technical, and copyright fees;

9.28 (iv) licensing fees; and

9.29 (v) other similar income.

9.30 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
9.31 applications, trade names, trademarks, service marks, copyrights, mask works, trade
9.32 secrets, and similar types of intangible assets.

9.33 This clause does not apply to any item of interest or intangible income received or accrued
9.34 by a foreign operating corporation with respect to such item of income to the extent that

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10.1 the income is income from sources without the United States as defined in subtitle A,
10.2 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

10.3 (22) the dividends attributable to the income of a foreign operating corporation that
10.4 is a member of the taxpayer's unitary group in an amount that is equal to the dividends
10.5 paid deduction of a real estate investment trust under section 561(a) of the Internal
10.6 Revenue Code for amounts paid or accrued by the real estate investment trust to the
10.7 foreign operating corporation;

10.8 (23) the income of a foreign operating corporation that is a member of the taxpayer's
10.9 unitary group in an amount that is equal to gains derived from the sale of real or personal
10.10 property located in the United States;

10.11 (24) for taxable years beginning before January 1, 2010, the additional amount
10.12 allowed as a deduction for donation of computer technology and equipment under section
10.13 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; ~~and~~

10.14 (25) discharge of indebtedness income resulting from reacquisition of business
10.15 indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

10.16 (26) the amount of the deduction under section 170 of the Internal Revenue Code
10.17 that represents contributions to a qualified foundation under section 290.0682.

10.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
10.19 December 31, 2011.

10.20 Sec. 4. Minnesota Statutes 2010, section 290.0674, subdivision 1, is amended to read:

10.21 Subdivision 1. **Credit allowed.** An individual is allowed a credit against the
10.22 tax imposed by this chapter in an amount equal to 75 percent of the amount paid for
10.23 education-related expenses for a qualifying child in kindergarten through grade 12. For
10.24 purposes of this section, "education-related expenses" means:

10.25 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision
10.26 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers
10.27 Association, and who is not a lineal ancestor or sibling of the dependent for instruction
10.28 outside the regular school day or school year, including tutoring, driver's education
10.29 offered as part of school curriculum, regardless of whether it is taken from a public or
10.30 private entity or summer camps, in grade or age appropriate curricula that supplement
10.31 curricula and instruction available during the regular school year, that assists a dependent
10.32 to improve knowledge of core curriculum areas or to expand knowledge and skills under
10.33 the required academic standards under section 120B.021, subdivision 1, and the elective
10.34 standard under section 120B.022, subdivision 1, clause (2), and that do not include the

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11.1 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such
11.2 tenets, doctrines, or worship;

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

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

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

11.23 For purposes of this section, "qualifying child" has the meaning given in section
11.24 32(c)(3) of the Internal Revenue Code.

11.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
11.26 December 31, 2010.

11.27 Sec. 5. **[290.0682] MINNESOTA PRIVATE SCHOOL TUITION TAX CREDIT.**

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

11.30 (b) "Eligible student" means a student who:

11.31 (1) is a member of a household whose total annual income during the year, without
11.32 consideration of the benefits under this program, does not exceed an amount equal to 1.85
11.33 times the income standard used to qualify for a reduced-price meal under the National
11.34 School Lunch Program, as specified in United States Code, title 42, section 1758. Once a
11.35 student is eligible under this program, the student remains eligible regardless of household

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12.1 income until the student graduates from high school or reaches 21 years of age, whichever
12.2 occurs first;

12.3 (2) was eligible to attend a public school in the preceding semester or is starting
12.4 school in Minnesota for the first time; and

12.5 (3) resides in Minnesota.

12.6 (c) "Minnesota private school tuition donation" means a donation to a qualified
12.7 foundation that makes qualified grants.

12.8 (d) "Qualified foundation" means a foundation fulfilling the requirement under
12.9 subdivision 4.

12.10 (e) "Qualified school" means a school operated in Minnesota that is either:

12.11 (1) a nonpublic elementary or secondary school in Minnesota wherein a resident
12.12 may legally fulfill the state's compulsory attendance laws, which is not operated for profit,
12.13 and which adheres to the provisions of chapter 363A and the Civil Rights Act of 1964; or

12.14 (2) a preschool evaluated to be of high quality and serving special education children
12.15 ages three to five.

12.16 (f) "Qualified grant" means a grant from a qualified foundation to the parents or
12.17 guardians of an eligible student for use at a qualified school.

12.18 Subd. 2. **Credit allowed.** (a) An individual or corporate taxpayer is allowed a credit
12.19 against the tax due under this chapter equal to 100 percent of the amount donated to a
12.20 qualified foundation during the taxable year.

12.21 (b) The maximum aggregate statewide credits must not exceed \$20,000,000 per
12.22 taxable year.

12.23 (c) A taxpayer must provide a copy of the receipt provided by the qualified
12.24 foundation when claiming the credit for the donation.

12.25 Subd. 3. **Application for credit certificate.** (a) A taxpayer must apply to the
12.26 commissioner for a Minnesota private school tuition tax credit certificate. Tax credit
12.27 certificates under this section must be made available on a first-come, first-served basis
12.28 until the maximum aggregate statewide credit amount has been reached. The maximum
12.29 statewide credit amounts must not exceed \$20,000,000 per taxable year for donations and
12.30 commitments to qualified nonpublic schools or preschools.

12.31 (b) The commissioner must not issue a tax credit certificate for an amount greater
12.32 than the limits under subdivision 2.

12.33 Subd. 4. **Qualified foundations.** (a) Each qualified foundation that receives
12.34 donations directly from taxpayers under this section must:

12.35 (1) notify the commissioner of its intent to participate in this program;

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13.1 (2) demonstrate to the commissioner that it has been granted an exemption from
13.2 the federal income tax as an organization described in section 501(c)(3) of the Internal
13.3 Revenue Code;

13.4 (3) provide a receipt or verification on a form approved by the commissioner to
13.5 taxpayers for donations and commitments made to qualified foundations;

13.6 (4) conduct criminal background checks on all of its employees and board members
13.7 and exclude from employment or governance any individuals that might reasonably pose a
13.8 risk to the appropriate use of contributed funds;

13.9 (5) demonstrate its financial accountability by:

13.10 (i) submitting a financial information report for the organization that complies with
13.11 uniform financial accounting standards established by the commissioner and conducted by
13.12 a certified public accountant; and

13.13 (ii) having the auditor certify that the report is free of material misstatements;

13.14 (6) demonstrate its financial viability, if it is to receive donations of \$150,000 or
13.15 more during the school year, by filing financial information with the commissioner prior
13.16 to September 1 of each year that demonstrates the financial viability of the qualified
13.17 foundation;

13.18 (7) allocate at least 90 percent of annual revenues for tuition grants;

13.19 (8) use amounts received as donations to make qualified grants within two years
13.20 of the date of receiving the donation; and

13.21 (9) ensure that qualified schools that receive qualified grants or enroll eligible
13.22 students:

13.23 (i) comply with all health and safety laws or codes that apply to nonpublic schools;

13.24 (ii) hold a valid occupancy permit if required by its municipality;

13.25 (iii) certify that it will not discriminate in admissions on the basis of race, color,
13.26 national origin, religion, or disability; and

13.27 (iv) provide academic accountability to parents of students in the program by
13.28 regularly reporting to the parent on the student's progress.

13.29 (b) A qualified foundation that receives donations directly from taxpayers under this
13.30 program must report to the commissioner by June 1 of each year the following information
13.31 prepared by a certified public accountant regarding its grants in the previous calendar year:

13.32 (1) the name, address, and contact person of the school tuition organization;

13.33 (2) the total number of contributions received during the previous calendar year;

13.34 (3) the total dollar amount of contributions received during the previous calendar
13.35 year;

14.1 (4) the total number of children awarded educational scholarships or tuition grants
14.2 during the previous calendar year;

14.3 (5) the total dollar amount of:

14.4 (i) educational scholarships and tuition grants distributed during the previous
14.5 calendar year; and

14.6 (ii) money being held for identified students' scholarships and tuition grants in
14.7 future years;

14.8 (6) the cost of audits paid during the calendar year;

14.9 (7) for each school to which educational scholarships or tuition grants were awarded:

14.10 (i) the name and address of the school;

14.11 (ii) the number of educational scholarships and tuition grants awarded during the
14.12 previous calendar year; and

14.13 (iii) the total dollar amount of educational scholarships and tuition grants awarded
14.14 during the previous calendar year; and

14.15 (8) the names, job titles, and annual salaries of the three employees who receive the
14.16 highest annual salaries from the school tuition organization.

14.17 (c) If the commissioner decides to bar a qualified foundation from the program for
14.18 failure to comply with the requirements in paragraph (a), clauses (1) to (9), the qualified
14.19 foundation must notify taxpayers who have donated to the qualified foundation in writing
14.20 within 30 days.

14.21 Subd. 5. Responsibilities of commissioner. (a) The commissioner must prescribe a
14.22 standardized format for a receipt to be issued by a qualified foundation to a taxpayer to
14.23 indicate the value of a donation received.

14.24 (b) The commissioner must prescribe a standardized format for qualified foundations
14.25 to report the information required under subdivision 4.

14.26 (c) The commissioner must post on the department's Web site the names and
14.27 addresses of qualified foundations and regularly update the names and addresses of any
14.28 qualified foundations that have been barred from participating in the program.

14.29 (d) The commissioner may conduct either a financial review or audit of a qualified
14.30 foundation upon finding evidence of fraud or intentional misreporting.

14.31 (e) The commissioner may bar a qualified foundation from participating in the
14.32 program if the commissioner establishes that the qualified foundation has intentionally and
14.33 substantially failed to comply with the requirements in subdivision 4. If the commissioner
14.34 determines that a qualified foundation should be barred from the program, the
14.35 commissioner must notify the qualified foundation within 60 days of that determination.

15.1 EFFECTIVE DATE. This section is effective for taxable years beginning after
15.2 December 31, 2011.

15.3 Sec. 6. TUITION FUNDING, NONPUBLIC SCHOOLS, FISCAL YEARS 2013
15.4 AND 2014.

15.5 (a) Notwithstanding Minnesota Statutes, section 124D.031, subdivision 3, in fiscal
15.6 year 2013 only the quarterly payments calculated under Minnesota Statutes, section
15.7 124D.031, subdivision 3, shall be reduced by 30 percent.

15.8 (b) Notwithstanding Minnesota Statutes, section 124D.031, subdivision 3, in fiscal
15.9 year 2014 only the quarterly payments calculated under Minnesota Statutes, section
15.10 124D.031, subdivision 3, shall be reduced by 15 percent.

15.11 Sec. 7. REVISOR'S INSTRUCTION.

15.12 The revisor of statutes shall correct cross-references in Minnesota Statutes and
15.13 Minnesota Rules resulting from the renumbering of clauses in section 2.