

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-SEVENTH LEGISLATURE**      **S.F. No. 331**

(SENATE AUTHORS: MICHEL, Bonoff, Berglin, Nelson and Daley)

DATE	D-PG	OFFICIAL STATUS
02/14/2011	243	Introduction and first reading Referred to Education
03/10/2011	460a	Comm report: Amended Comm report: No recommendation, re-referred to Health and Human Services
03/17/2011	549	Author added Daley

A bill for an act

relating to early childhood education; creating an early childhood education scholarship finance system; providing tax credits for training and retaining early education workers; improving quality early childhood education programming; appropriating money; amending Minnesota Statutes 2010, sections 119B.09, subdivision 5; 119B.13, subdivision 3a; 124D.15, subdivisions 3, 3a; 270B.14, subdivision 1, by adding a subdivision; 290.01, subdivisions 19a, 19c; 290.0674, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 290; proposing coding for new law as Minnesota Statutes, chapter 119C; repealing Minnesota Statutes 2010, section 124D.16, subdivisions 2, 3, 5, 6, 7.

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

**ARTICLE 1**

**EARLY CHILDHOOD EDUCATION ACCOUNTABILITY AND SCHOLARSHIPS**

Section 1. Minnesota Statutes 2010, section 119B.09, subdivision 5, is amended to read:

Subd. 5. **Provider choice.** Parents who reside in a Parent Aware Plus region as defined in section 119C.03, subdivision 5, must choose a rated provider under section 119C.01, subdivision 6, for their three- and four-year-old children, unless a waiver is granted by the commissioner. Parents who do not reside in a Parent Aware Plus region may choose child care providers as defined under section 119B.011, subdivision 19, that best meet the needs of their family. Counties shall make resources available to parents in choosing quality child care services. Counties may require a parent to sign a release stating their knowledge and responsibilities in choosing a legal provider described under section 119B.011, subdivision 19. When a county knows that a particular provider is unsafe, or that the circumstances of the child care arrangement chosen by the parent are unsafe, the county may deny a child care subsidy. A county may not restrict access to a general category of provider allowed under section 119B.011, subdivision 19.

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2.1 Sec. 2. Minnesota Statutes 2010, section 119B.13, subdivision 3a, is amended to read:

2.2 Subd. 3a. **Provider rate differential for accreditation.** (a) A family child care  
2.3 provider or child care center shall be paid a 15 percent differential above the maximum  
2.4 rate established in subdivision 1, up to the actual provider rate, if: (1) the provider or  
2.5 center holds a current early childhood development credential or is accredited; or (2) the  
2.6 provider is a Parent Aware rated four-star program under chapter 119C.

2.7 (b) For a family child care provider, early childhood development credential and  
2.8 accreditation includes an individual who has earned a child development associate  
2.9 degree, a child development associate credential, a diploma in child development from a  
2.10 Minnesota state technical college, or a bachelor's or post baccalaureate degree in early  
2.11 childhood education from an accredited college or university, or who is accredited by  
2.12 the National Association for Family Child Care or the Competency Based Training  
2.13 and Assessment Program. For a child care center, accreditation includes accreditation  
2.14 by the National Association for the Education of Young Children, the Council on  
2.15 Accreditation, the National Early Childhood Program Accreditation, the National  
2.16 School-Age Care Association, or the National Head Start Association Program of  
2.17 Excellence. For Montessori programs, accreditation includes the American Montessori  
2.18 Society, Association of Montessori International-USA, or the National Center for  
2.19 Montessori Education.

2.20 Sec. 3. **[119C.01] DEFINITIONS.**

2.21 Subdivision 1. **Definitions.** The terms defined in this section apply to this chapter.

2.22 Subd. 2. **Commissioner.** "Commissioner" means the commissioner of human  
2.23 services.

2.24 Subd. 3. **Eligible program.** "Eligible program" means a Head Start program under  
2.25 section 119A.50, school readiness program under section 124D.15, licensed center-based  
2.26 child care program under section 119B.011, or licensed family child care program under  
2.27 section 119B.011.

2.28 Subd. 4. **Minimum threshold.** "Minimum threshold" means the rated program  
2.29 capacity is 25 percent or more of the total eligible program capacity in a Parent Aware  
2.30 region.

2.31 Subd. 5. **Parent Aware.** "Parent Aware" means the voluntary evidence-based quality  
2.32 rating and improvement system for early childhood education under section 119C.02.

2.33 Subd. 6. **Parent Aware Plus regions.** "Parent Aware Plus regions" means Parent  
2.34 Aware regions that meet the minimum threshold and are designated by the commissioner

3.1 under section 119C.03 for its rated programs to receive early childhood education  
3.2 scholarships under section 119C.04.

3.3 Subd. 7. **Parent Aware region.** "Parent Aware region" means a geographic area  
3.4 approved by the commissioner under section 119C.03.

3.5 Subd. 8. **Rated program.** "Rated program" means an eligible program in a Parent  
3.6 Aware region that receives one, two, three, or four stars.

3.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.8 Sec. 4. **[119C.02] PARENT AWARE.**

3.9 Subdivision 1. **Department of Administration; request for proposal.** The  
3.10 Department of Administration must develop a request for proposal for an organization  
3.11 to: (1) develop the standards and indicators that determine program quality for the Parent  
3.12 Aware quality rating system; (2) develop the methods used to verify, assess, and monitor  
3.13 program compliance with the standards, including review of and action on applications;  
3.14 (3) conduct on-site assessments, if applicable; (4) develop and maintain a data quality  
3.15 management system for compiling all data used to calculate program ratings and related  
3.16 procedures for ensuring data quality and integrity; and (5) develop a system for sharing  
3.17 ratings and related quality information with the public. The standards, indicators, and  
3.18 processes used in the rating system must be developed based on the Minnesota quality  
3.19 rating system tool in use in fiscal year 2011, the results of the evaluations of that quality  
3.20 rating system, and the recommendations in the report required under section 124D.142.  
3.21 The commissioner of administration must consult with the Minnesota Early Learning  
3.22 Foundation to design the request for proposal. The Department of Human Services and the  
3.23 Department of Education may submit their proposal to develop, administer, and oversee  
3.24 the Parent Aware quality rating system. The commissioner of administration must begin  
3.25 accepting applications beginning July 30, 2011. The commissioner of administration must  
3.26 issue a contract by September 30, 2011. The contract is valid for three years. By July 30,  
3.27 2014, and every three years thereafter, the commissioner of administration must consult  
3.28 with the Minnesota Early Learning Foundation or its designated successor organization  
3.29 to redesign the request for proposal. The contract must be issued by September 30 of  
3.30 that year and every three years thereafter.

3.31 Subd. 2. **Criteria; measure.** (a) Parent Aware must use quality ratings shown to  
3.32 be linked to improving children's school readiness outcomes and must evaluate, at a  
3.33 minimum, how programs perform in the following areas:

3.34 (1) family partnerships;

3.35 (2) tracking learning;

4.1 (3) teacher training and education; and

4.2 (4) teaching materials and strategies.

4.3 (b) Ratings must be indicated using stars. Four stars is the best possible rating. No  
4.4 stars means the program has not been rated.

4.5 Subd. 3. **Rated programs.** Each year, beginning June 30, 2012, the contract  
4.6 entity awarded the contract in subdivision 1 must submit a list of rated programs to the  
4.7 commissioner of administration. The list of rated programs serves as the commissioner's  
4.8 rating. The commissioner's decision is final.

4.9 Subd. 4. **Evaluation.** The commissioner shall contract with an independent private  
4.10 organization to use private funds to evaluate the Parent Aware quality rating system. The  
4.11 evaluation must incorporate rating levels and outcome-based data reflecting child progress  
4.12 toward school readiness. The evaluation must also include recommendations on continued  
4.13 monitoring and improvement of the correlation between rating levels and outcome-based  
4.14 child progress toward school readiness. The commissioner shall make available to the  
4.15 independent private organization any data requested by the organization consistent with  
4.16 chapter 13 and at no cost to the organization.

4.17 Sec. 5. **[119C.03] SELECTION PROCESS FOR PARENT AWARE REGIONS.**

4.18 Subdivision 1. **Eligibility.** In order to qualify as a Parent Aware region, a minimum  
4.19 of two-thirds of the school districts, two-thirds of the counties, and two-thirds of the Head  
4.20 Start programs in an economic development region as designated by the governor under  
4.21 section 462.385 must jointly agree to apply as a Parent Aware region.

4.22 Subd. 2. **Approval criteria.** Regions must be selected based on:

4.23 (1) the percentage of preschool-aged children who are from families with income  
4.24 equal to or less than 47 percent of the state median income;

4.25 (2) the region's demonstrated efforts to use existing public and private resources to  
4.26 improve program quality in alignment with Parent Aware quality standards;

4.27 (3) the level of community support, especially support of the school districts and  
4.28 local representatives of child care centers and licensed family child care centers; and

4.29 (4) the demonstration of quality improvement support from local nonprofits and  
4.30 foundations.

4.31 Subd. 3. **Preparation; quality.** A resource and referral organization under section  
4.32 119B.19 must work with the commissioner and eligible programs in their region for  
4.33 approval under subdivision 4 to become a Parent Aware region.

4.34 Subd. 4. **Region approval.** The commissioner shall develop an application process  
4.35 by December 1, 2011. A region may apply beginning February 1, 2012, to become a

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5.1 Parent Aware region. The commissioner shall use the criteria in subdivision 2 to make a  
5.2 determination. Economic development regions 9, 10, and 11 are automatically approved  
5.3 as Parent Aware regions. The commissioner shall approve the first Parent Aware region by  
5.4 June 30, 2012, and shall approve all Parent Aware regions by June 30, 2015.

5.5 Subd. 5. **Parent Aware Plus regions; commissioner approval.** The commissioner  
5.6 must designate a Parent Aware region as a Parent Aware Plus region when the capacity  
5.7 in the Parent Aware region meets the minimum threshold. The commissioner must also  
5.8 designate the prekindergarten exploratory projects under Laws 2007, chapter 147, article  
5.9 2, section 62, as Parent Aware Plus regions for the purposes of issuing and receiving early  
5.10 childhood education scholarships under section 119C.04.

5.11 Sec. 6. **[119C.04] EARLY CHILDHOOD EDUCATION SCHOLARSHIPS.**

5.12 Subdivision 1. **Early childhood education scholarship locations.** In fiscal year  
5.13 2012 and later, the commissioner shall reinstate the three prekindergarten exploratory  
5.14 projects located in the city of St. Paul, Hennepin County, Nicollet County, and Blue  
5.15 Earth County that have been conducted in partnership with the Minnesota Early Learning  
5.16 Foundation to promote children's school readiness. The prekindergarten exploratory  
5.17 projects may continue to use the existing model of the Parent Aware quality rating  
5.18 system in fiscal year 2012. In fiscal year 2013 and later, the commissioner shall establish  
5.19 additional locations where early childhood education scholarships may be used to pay  
5.20 for services provided by rated programs. The additional early childhood education  
5.21 scholarship locations must be located in Parent Aware Plus regions. The commissioner  
5.22 may assign duties as described in subdivisions 5 and 7 to approved Parent Aware Plus  
5.23 regions, as appropriate.

5.24 Subd. 2. **Scholarship eligibility.** (a) All children whose parents or legal guardians  
5.25 meet the eligibility requirements of paragraph (b) are eligible to receive early childhood  
5.26 education scholarships under this section. No other eligibility criteria may be considered  
5.27 for the purposes of establishing eligibility under this section.

5.28 (b) A parent or legal guardian is eligible for an early childhood education scholarship  
5.29 if the parent or legal guardian has a child three or four years of age on September 1,  
5.30 beginning in calendar year 2011; lives in one of the early childhood education scholarship  
5.31 locations according to subdivision 1; and has income equal to or less than 47 percent of  
5.32 the state median income in the current calendar year.

5.33 Subd. 3. **Eligibility determination.** (a) Based on information from individual  
5.34 income tax returns for the taxable year that has been processed by the commissioner of  
5.35 revenue with a filing due date in the current calendar year, the commissioner of revenue

6.1 shall identify taxpayers who are eligible to receive a scholarship according to subdivision  
6.2 2. For the purpose of determining whether taxpayers are eligible under subdivision 2, the  
6.3 commissioner of revenue shall use the parent's or legal guardian's federal adjusted income,  
6.4 as defined in section 62 of the Internal Revenue Code.

6.5 (b) The commissioner of revenue shall provide the commissioner a list of names  
6.6 and addresses of taxpayers who meet the eligibility criteria to receive an early childhood  
6.7 education scholarship. The commissioner shall notify eligible taxpayers by mail no  
6.8 later than March 20 of each year. In the notification, the commissioner shall provide  
6.9 information on how parents and legal guardians can locate a rated provider meeting the  
6.10 quality standard under subdivision 6.

6.11 (c) The commissioner of revenue shall provide a list of names and addresses of  
6.12 eligible taxpayers to the departments that are coordinating the early childhood education  
6.13 scholarships under subdivision 9. The departments that receive this list may only use the  
6.14 list to approve the payment of early childhood education scholarships.

6.15 (d) For the purpose of establishing eligibility for the early childhood education  
6.16 scholarship, the commissioners of education and human services shall accept a self  
6.17 declaration from parents or legal guardians who did not receive a notification under  
6.18 paragraph (b). Under this paragraph, a parent or legal guardian whose income meets the  
6.19 eligibility requirements under subdivision 2 shall be notified of their eligibility to receive  
6.20 an early childhood education scholarship.

6.21 (e) The commissioner shall also accept children identified in other public funding  
6.22 eligibility processes, including the Free and Reduced Lunch Program, National School  
6.23 Lunch Act, United States Code, title 42, section 1751, part 210; Head Start under federal  
6.24 Improving Head Start for School Readiness Act of 2007; Minnesota family investment  
6.25 program under chapter 256J; and child care assistance programs under chapter 119B.

6.26 Subd. 4. **Scholarship value.** For fiscal year 2012 and later, the early childhood  
6.27 education scholarship is equal to \$4,000 each year for each eligible child according to  
6.28 subdivision 2.

6.29 Subd. 5. **Scholarship use.** (a) The early childhood education scholarship must be  
6.30 used during the 13 months after July 1, 2011, and each year thereafter by the parent or  
6.31 legal guardian on behalf of their child for services designed to promote school readiness at  
6.32 a rated program in a Parent Aware Plus region. A parent or legal guardian may use the  
6.33 early childhood education scholarship to pay fees or charges associated with their eligible  
6.34 child's education at a rated program, according to subdivision 6.

7.1 (b) To maintain an eligible child's early childhood education scholarship, a parent or  
7.2 legal guardian must begin to use the scholarship within six months following the receipt  
7.3 of the scholarship or October 1.

7.4 (c) For the purpose of dividing the early childhood education scholarship between  
7.5 two or more rated programs, a parent or legal guardian may reduce the early childhood  
7.6 education scholarship value paid to an individual rated program. The commissioner must  
7.7 determine a method to allow a parent or legal guardian to reduce or divide an early  
7.8 childhood education scholarship.

7.9 Subd. 6. **Quality standard; transition.** (a) A rated program is eligible to receive  
7.10 early childhood education scholarships if the program has received a three- or four-star  
7.11 rating under Parent Aware under section 119C.02 and is located in a Parent Aware Plus  
7.12 region. An eligible program must agree to accept early childhood education scholarships  
7.13 to pay for services.

7.14 (b) Notwithstanding paragraph (a), for the first two fiscal years after a Parent Aware  
7.15 region has become a Parent Aware Plus region, a rated program located in the Parent  
7.16 Aware Plus region is eligible to receive early childhood education scholarships to pay  
7.17 for its services if the program has received a one-star or better rating under the Parent  
7.18 Aware rating system. An eligible program must agree to accept early childhood education  
7.19 scholarships to pay for services. This paragraph does not apply to the prekindergarten  
7.20 exploratory projects located in the city of Saint Paul, Hennepin County, Nicollet County,  
7.21 and Blue Earth County.

7.22 Subd. 7. **Redeeming a scholarship.** (a) A rated program that has received an early  
7.23 childhood education scholarship on behalf of an eligible child to pay for services must  
7.24 remit the scholarship in a manner determined by the commissioner.

7.25 (b) The commissioner must pay rated programs the value of the early childhood  
7.26 education scholarship within 30 days of receiving the scholarship from a program.

7.27 (c) The commissioner must determine a method for paying rated programs if a parent  
7.28 or legal guardian has divided or reduced a scholarship under subdivision 5, paragraph (b).

7.29 Subd. 8. **Earned income calculation.** Scholarships paid to families must not be  
7.30 counted as earned income for the purposes of medical assistance, MinnesotaCare, MFIP,  
7.31 diversionary work program, child care assistance, or Head Start programs. Scholarships  
7.32 paid to families must not be considered child care funds for the purposes of the child care  
7.33 assistance program under chapter 119B.

7.34 Subd. 9. **Agency coordination.** The Department of Education, Department of  
7.35 Human Services, and the Department of Revenue must coordinate to maximize the

8.1 efficiency of the early childhood education scholarships and maximize the number of  
8.2 children who can receive early childhood education scholarships.

8.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

8.4 Sec. 7. Minnesota Statutes 2010, section 124D.15, subdivision 3, is amended to read:

8.5 Subd. 3. **Program requirements.** A school readiness program provider must:

8.6 (1) assess each child's cognitive skills with a comprehensive child assessment  
8.7 instrument when the child enters and again before the child leaves the program to inform  
8.8 program planning and parents and promote kindergarten readiness;

8.9 (2) provide comprehensive program content and intentional instructional practice  
8.10 aligned with the state early childhood learning guidelines and kindergarten standards and  
8.11 based on early childhood research and professional practice that is focused on children's  
8.12 cognitive, social, emotional, and physical skills and development and prepares children  
8.13 for the transition to kindergarten, including early literacy skills;

8.14 (3) coordinate appropriate kindergarten transition with parents and kindergarten  
8.15 teachers;

8.16 (4) arrange for early childhood screening and appropriate referral;

8.17 ~~(4)~~ (5) involve parents in program planning and decision making;

8.18 ~~(5)~~ (6) coordinate with relevant community-based services;

8.19 ~~(6)~~ (7) cooperate with adult basic education programs and other adult literacy  
8.20 programs;

8.21 ~~(7)~~ (8) ensure staff-child ratios of one-to-ten and maximum group size of 20 children  
8.22 with the first staff required to be a teacher; and

8.23 (9) serve children a minimum of 12 hours per week; and

8.24 ~~(8)~~ (10) have teachers knowledgeable in early childhood curriculum content,  
8.25 assessment, and instruction.

8.26 Sec. 8. Minnesota Statutes 2010, section 124D.15, subdivision 3a, is amended to read:

8.27 Subd. 3a. **Application and reporting requirements.** ~~(a)~~ A school readiness

8.28 program provider must submit a biennial plan for approval by the commissioner ~~before~~

8.29 ~~receiving aid under section 124D.16.~~ The plan must describe how the program meets the

8.30 program requirements under subdivision 3. A school district by April 1 must submit

8.31 the plan for approval by the commissioner in the form and manner prescribed by the

8.32 commissioner. ~~One-half the districts must first submit the plan by April 1, 2006, and~~

8.33 ~~one-half the districts must first submit the plan by April 1, 2007, as determined by the~~

8.34 ~~commissioner.~~

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9.1 ~~(b) Programs receiving school readiness funds annually must submit a report to~~  
9.2 ~~the department.~~

9.3 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2012 and  
9.4 later.

9.5 Sec. 9. Minnesota Statutes 2010, section 270B.14, subdivision 1, is amended to read:

9.6 Subdivision 1. **Disclosure to commissioner of human services.** (a) On the request  
9.7 of the commissioner of human services, the commissioner shall disclose return information  
9.8 regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to  
9.9 the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

9.10 (b) Data that may be disclosed are limited to data relating to the identity,  
9.11 whereabouts, employment, income, and property of a person owing or alleged to be owing  
9.12 an obligation of child support.

9.13 (c) The commissioner of human services may request data only for the purposes of  
9.14 carrying out the child support enforcement program and to assist in the location of parents  
9.15 who have, or appear to have, deserted their children. Data received may be used only  
9.16 as set forth in section 256.978.

9.17 (d) The commissioner shall provide the records and information necessary to  
9.18 administer the supplemental housing allowance to the commissioner of human services.

9.19 (e) At the request of the commissioner of human services, the commissioner of  
9.20 revenue shall electronically match the Social Security numbers and names of participants  
9.21 in the telephone assistance plan operated under sections 237.69 to 237.711, with those of  
9.22 property tax refund filers, and determine whether each participant's household income is  
9.23 within the eligibility standards for the telephone assistance plan.

9.24 (f) The commissioner may provide records and information collected under sections  
9.25 295.50 to 295.59 to the commissioner of human services for purposes of the Medicaid  
9.26 Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law  
9.27 102-234. Upon the written agreement by the United States Department of Health and  
9.28 Human Services to maintain the confidentiality of the data, the commissioner may provide  
9.29 records and information collected under sections 295.50 to 295.59 to the Centers for  
9.30 Medicare and Medicaid Services section of the United States Department of Health and  
9.31 Human Services for purposes of meeting federal reporting requirements.

9.32 (g) The commissioner may provide records and information to the commissioner of  
9.33 human services as necessary to administer the early refund of refundable tax credits.

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10.1 (h) The commissioner may disclose information to the commissioner of human  
10.2 services necessary to verify income for eligibility and premium payment under the  
10.3 MinnesotaCare program, under section 256L.05, subdivision 2.

10.4 (i) The commissioner may disclose information to the commissioner of human  
10.5 services necessary to verify whether applicants or recipients for the Minnesota family  
10.6 investment program, general assistance, food support, Minnesota supplemental aid  
10.7 program, and child care assistance have claimed refundable tax credits under chapter 290  
10.8 and the property tax refund under chapter 290A, and the amounts of the credits.

10.9 (j) The commissioner may disclose information to the commissioner of human  
10.10 services necessary to verify income for purposes of calculating parental contribution  
10.11 amounts under section 252.27, subdivision 2a.

10.12 (k) The commissioner shall provide information to the commissioner of human  
10.13 services necessary for approving payments of early childhood education scholarships  
10.14 under section 119C.04. This information is limited to what is provided by the  
10.15 commissioner according to section 119C.04, subdivision 3.

10.16 Sec. 10. Minnesota Statutes 2010, section 270B.14, is amended by adding a  
10.17 subdivision to read:

10.18 Subd. 20. **Disclosure to Department of Education.** The commissioner shall  
10.19 provide information to the commissioner of education necessary for approving payments of  
10.20 early childhood education scholarships under section 119C.04. This information is limited  
10.21 to what is provided by the commissioner according to section 119C.04, subdivision 3.

10.22 Sec. 11. **SCHOLARSHIP NOTIFICATION.**

10.23 Notwithstanding Minnesota Statutes, section 119C.04, subdivision 3, paragraph  
10.24 (a), for scholarships in fiscal year 2012, the commissioner of revenue shall use best  
10.25 efforts to identify taxpayers who meet the eligibility criteria to receive an early childhood  
10.26 education scholarship under Minnesota Statutes, section 119C.04, subdivision 2, as early  
10.27 as is feasible. The commissioner of revenue must use federal adjusted gross income data  
10.28 from 2010 income tax returns processed by the commissioner of revenue to determine  
10.29 eligibility for fiscal year 2012 scholarship notifications. The commissioner of revenue  
10.30 shall provide to the commissioner a list of names and addresses of taxpayers who meet  
10.31 the eligibility criteria to receive an early childhood education scholarship as early as is  
10.32 feasible, but not later than August 15, 2011.

10.33 Sec. 12. **PROGRAMMATIC STREAMLINING.**

11.1 By January 15, 2012, the commissioner of human services, in coordination with the  
11.2 commissioner of education, shall report to the legislative committees having jurisdiction  
11.3 over early childhood education and child care on a framework for incorporating the  
11.4 existing state programs that provide access to early learning and care programming into  
11.5 a single scholarship program that funds access to high-quality early learning and care  
11.6 programs for low-income children in Minnesota. The report must also identify barriers  
11.7 and impediments to applying federal child care assistance program funds in the form of a  
11.8 scholarship, under Minnesota Statutes, section 119C.04. As part of the framework, the  
11.9 commissioner must also take into consideration efforts for simplifying the application and  
11.10 management procedures for participating families and providers.

11.11 Sec. 13. **CHILD CARE DEVELOPMENT FUNDS; PARENT AWARE.**

11.12 The commissioner of human services shall direct \$7,000,000 in federal child care  
11.13 development funds used for grants under Minnesota Statutes, section 119B.21, in fiscal  
11.14 years 2012 and 2013 for the purpose of implementing Parent Aware under Minnesota  
11.15 Statutes, sections 119C.01 to 119C.03. Of this amount, \$1,200,000 is appropriated to the  
11.16 commissioner of administration to administer the Parent Aware contract under Minnesota  
11.17 Statutes, section 119C.02, subdivision 1.

11.18 Sec. 14. **WAIVER PROCESS RELATED TO CHILD CARE PROVIDER**  
11.19 **CHOICE.**

11.20 The commissioner of human services shall develop a simple waiver process related  
11.21 to Minnesota Statutes, section 119B.09, subdivision 5, that requires the parent or guardian  
11.22 to submit notice of a preferred alternative child arrangement.

11.23 Sec. 15. **APPROPRIATIONS.**

11.24 Subdivision 1. **Department of Human Services.** The sums indicated in this section  
11.25 are appropriated from the general fund to the Department of Human Services for the  
11.26 fiscal years designated.

11.27 Subd. 2. **Early childhood education scholarships.** For grants to early childhood  
11.28 education scholarships under Minnesota Statutes, section 119C.04:

11.29 \$ 8,000,000 ..... 2012  
11.30 \$ 9,000,000 ..... 2013

11.31 In fiscal year 2012, this appropriation is for grants to three prekindergarten  
11.32 exploratory projects located in the city of St. Paul, Hennepin County, Nicollet County,

12.1 and Blue Earth County. In fiscal year 2013 and later, the appropriation is for scholarship  
12.2 grants to fund eligible early childhood care and education programs located in Parent  
12.3 Aware Plus regions that have received early childhood education scholarships from  
12.4 eligible parents or legal guardians under Minnesota Statutes, section 119C.04, subdivision  
12.5 2. The appropriation is available until expended. This appropriation is part of the base  
12.6 budget for subsequent fiscal years.

12.7 For fiscal year 2012 only, if this appropriation is insufficient to provide early  
12.8 childhood education scholarships to all eligible children, the Department of Human  
12.9 Services shall make scholarships available on a first-come, first-served basis.

12.10 Sec. 16. **REPEALER.**

12.11 Minnesota Statutes 2010, section 124D.16, subdivisions 2, 3, 5, 6, and 7, are  
12.12 repealed.

12.13 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2012 and  
12.14 later.

## 12.15 **ARTICLE 2**

### 12.16 **TAX CREDITS**

12.17 Section 1. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to  
12.18 read:

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

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

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

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

12.29 (B) the portion of the exempt-interest dividends derived from interest income  
12.30 on obligations of the state of Minnesota or its political or governmental subdivisions,  
12.31 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
12.32 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
12.33 95 percent or more of the exempt-interest dividends, including any dividends exempt

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13.1 under subitem (A), that are paid by the regulated investment company as defined in section  
13.2 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as  
13.3 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

13.7 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid  
13.8 or accrued within the taxable year under this chapter and the amount of taxes based on  
13.9 net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other  
13.10 state or to any province or territory of Canada, to the extent allowed as a deduction  
13.11 under section 63(d) of the Internal Revenue Code, but the addition may not be more  
13.12 than the amount by which the itemized deductions as allowed under section 63(d) of  
13.13 the Internal Revenue Code exceeds the amount of the standard deduction as defined in  
13.14 section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under  
13.15 sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of  
13.16 this paragraph, the disallowance of itemized deductions under section 68 of the Internal  
13.17 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are  
13.18 the last itemized deductions disallowed;

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

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

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

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

13.32 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
13.33 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
13.34 in the taxable year generates a deduction for depreciation under section 168(k) and the  
13.35 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for  
13.36 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is

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14.1 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
14.2 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
14.3 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
14.4 under section 168(k) is allowed;

14.5 (8) 80 percent of the amount by which the deduction allowed by section 179 of the  
14.6 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
14.7 Revenue Code of 1986, as amended through December 31, 2003;

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

14.10 (10) the exclusion allowed under section 139A of the Internal Revenue Code for  
14.11 federal subsidies for prescription drug plans;

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

14.13 (12) the amount deducted for qualified tuition and related expenses under section  
14.14 222 of the Internal Revenue Code, to the extent deducted from gross income;

14.15 (13) the amount deducted for certain expenses of elementary and secondary school  
14.16 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted  
14.17 from gross income;

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

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

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

14.24 (17) the amount of unemployment compensation exempt from tax under section  
14.25 85(c) of the Internal Revenue Code;

14.26 (18) the amount of the deduction under section 170 of the Internal Revenue Code  
14.27 that represents contributions that qualify for an early childhood education access to quality  
14.28 tax credit under section 290.0694; and

14.29 (19) the amount of the deduction under section 170 of the Internal Revenue  
14.30 Code that represents contributions that qualify for an early childhood education quality  
14.31 improvement credit under section 290.0695.

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

14.34 Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

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

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

15.8 (2) interest not subject to federal tax upon obligations of: the United States, its  
15.9 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
15.10 state, any of its political or governmental subdivisions, any of its municipalities, or any  
15.11 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
15.12 tribal governments;

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

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

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

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

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

15.24 (8) the exempt foreign trade income of a foreign sales corporation under sections  
15.25 921(a) and 291 of the Internal Revenue Code;

15.26 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
15.27 291 of the Internal Revenue Code;

15.28 (10) for certified pollution control facilities placed in service in a taxable year  
15.29 beginning before December 31, 1986, and for which amortization deductions were elected  
15.30 under section 169 of the Internal Revenue Code of 1954, as amended through December  
15.31 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
15.32 income for those facilities;

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

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

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

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

16.9 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
16.10 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
16.11 has an activity that in the taxable year generates a deduction for depreciation under  
16.12 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
16.13 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
16.14 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
16.15 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
16.16 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
16.17 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
16.18 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

16.19 (16) 80 percent of the amount by which the deduction allowed by section 179 of the  
16.20 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
16.21 Revenue Code of 1986, as amended through December 31, 2003;

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

16.24 (18) the exclusion allowed under section 139A of the Internal Revenue Code for  
16.25 federal subsidies for prescription drug plans;

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

16.27 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,  
16.28 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit  
16.29 of a corporation that is a member of the taxpayer's unitary business group that qualifies  
16.30 as a foreign operating corporation. For purposes of this clause, intangible expenses and  
16.31 costs include:

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

16.35 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
16.36 transactions;

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

17.2 (iv) licensing fees; and

17.3 (v) other similar expenses and costs.

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

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

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

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

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

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

17.20 (iv) licensing fees; and

17.21 (v) other similar income.

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

17.25 This clause does not apply to any item of interest or intangible income received or accrued  
17.26 by a foreign operating corporation with respect to such item of income to the extent that  
17.27 the income is income from sources without the United States as defined in subtitle A,  
17.28 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

18.4 (24) the additional amount allowed as a deduction for donation of computer  
18.5 technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the  
18.6 extent deducted from taxable income; ~~and~~

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

18.9 (26) the amount of the deduction under section 170 of the Internal Revenue Code  
18.10 that represents contributions that qualify for an early childhood education access to quality  
18.11 tax credit under section 290.0694; and

18.12 (27) the amount of the deduction under section 170 of the Internal Revenue  
18.13 Code that represents contributions that qualify for an early childhood education quality  
18.14 improvement credit under section 290.0695.

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

18.17 Sec. 3. Minnesota Statutes 2010, section 290.0674, subdivision 1, is amended to read:

18.18 Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax  
18.19 imposed by this chapter in an amount equal to ~~75~~ 66 percent in taxable year 2011 and  
18.20 58 percent in taxable years beginning after December 31, 2011, of the amount paid for  
18.21 education-related expenses for a qualifying child in kindergarten through grade 12. For  
18.22 purposes of this section, "education-related expenses" means:

18.23 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision  
18.24 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers  
18.25 Association, and who is not a lineal ancestor or sibling of the dependent for instruction  
18.26 outside the regular school day or school year, including tutoring, driver's education  
18.27 offered as part of school curriculum, regardless of whether it is taken from a public or  
18.28 private entity or summer camps, in grade or age appropriate curricula that supplement  
18.29 curricula and instruction available during the regular school year, that assists a dependent  
18.30 to improve knowledge of core curriculum areas or to expand knowledge and skills under  
18.31 the required academic standards under section 120B.021, subdivision 1, and the elective  
18.32 standard under section 120B.022, subdivision 1, clause (2), and that do not include the  
18.33 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such  
18.34 tenets, doctrines, or worship;

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

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

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

19.21 For purposes of this section, "qualifying child" has the meaning given in section  
19.22 32(c)(3) of the Internal Revenue Code.

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

19.25 Sec. 4. **[290.0693] EARLY CHILDHOOD TRAIN AND RETAIN CREDIT.**

19.26 **Subdivision 1. Statement of intent.** The purpose of the early childhood train  
19.27 and retain credit is to encourage and reward early childhood education professionals  
19.28 for furthering their education and providing continuity of instruction to Minnesota's  
19.29 children. The success of the credit must be measured by comparing the number of early  
19.30 childhood education professionals claiming the credit at the various point levels in the  
19.31 first year the credit is allowed with the number claiming the credit at the various point  
19.32 levels in following years.

19.33 **Subd. 2. Credit allowed.** (a) An individual who is an eligible early childhood  
19.34 education professional is allowed a credit against the tax imposed by this chapter as  
19.35 follows:

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	<u>Early education experience points</u>	<u>Credit amount</u>
20.1		
20.2	<u>1 to 2</u>	<u>\$500</u>
20.3	<u>3 to 5</u>	<u>\$1,000</u>
20.4	<u>6 to 7</u>	<u>\$1,500</u>
20.5	<u>8 to 10</u>	<u>\$2,500</u>
20.6	<u>11 to 12</u>	<u>\$3,000</u>

20.7 (b) For taxable year 2011, the maximum aggregate credits must not exceed \$500,000  
20.8 per taxable year. For taxable years beginning after December 31, 2011, the maximum  
20.9 aggregate credits must not exceed \$1,000,000 per taxable year.

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

20.12 Subd. 3. **Definitions.** (a) For purposes of this section, the following terms have  
20.13 the meanings given.

20.14 (b) "Early education experience points" means the eligible early childhood education  
20.15 professional's points registered with the Minnesota Center for Professional Development  
20.16 Registry.

20.17 (c) "Eligible early childhood education professional" means an individual who

20.18 (1) is registered with the Minnesota Center for Professional Development Registry;

20.19 (2) is employed at a quality program;

20.20 (3) works directly with children who have not yet enrolled in kindergarten or first  
20.21 grade; and

20.22 (4) has been employed at the same program for at least 20 hours per week for at least  
20.23 12 months during the tax year.

20.24 (d) "Quality program" means a program rated using the quality rating and  
20.25 improvement system tool established by the guidelines under chapter 119C.

20.26 Subd. 4. **Application for credit certificates.** For taxable years beginning after  
20.27 December 31, 2010, a taxpayer must apply to the commissioner for an early childhood  
20.28 train and retain tax credit certificate. The credit certificates under this section must be  
20.29 made available on a first-come, first-served basis until the maximum statewide credit  
20.30 amount has been reached. The commissioner must not issue a tax credit certificate for an  
20.31 amount greater than the limits under subdivision 2.

20.32 Subd. 5. **Credit refundable.** If the amount of credit an individual is eligible to  
20.33 receive under this section exceeds the claimant's tax liability under this chapter, the  
20.34 commissioner shall refund the excess to the claimant.

20.35 Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this  
20.36 section is appropriated to the commissioner from the general fund.

21.1 EFFECTIVE DATE. This section is effective for taxable years beginning after  
21.2 December 31, 2010.

21.3 Sec. 5. [290.0694] EARLY CHILDHOOD EDUCATION ACCESS TO QUALITY  
21.4 TAX CREDIT.

21.5 Subdivision 1. Statement of intent. The purpose of the early childhood education  
21.6 access to quality tax credit is to increase the amount of private contributions available to  
21.7 provide low-income children in Minnesota with access to high quality early childhood  
21.8 education programs. The success of the credit must be measured by determining the  
21.9 total amount of private contributions that are made to provide early childhood education  
21.10 scholarships and are eligible for the credit under this section.

21.11 Subd. 2. Definitions. (a) For purposes of this section, the following terms have  
21.12 the meanings given.

21.13 (b) "Early childhood education access to quality donation" means a donation to a  
21.14 qualified early childhood education program.

21.15 (c) "Qualified early childhood education program" means a program operated  
21.16 in Minnesota that:

21.17 (1) has been rated using the quality rating and improvement system tool established  
21.18 by the guidelines under chapter 119C; and

21.19 (2) accepts early childhood education access to quality donations under this section  
21.20 as payment of tuition for a qualified student who is enrolled in the program.

21.21 (d) "Qualified student" means a student who:

21.22 (1) has not attained the age of seven years and become subject to the requirements of  
21.23 section 120A.22, subdivision 5;

21.24 (2) has reached age three or four by September 1;

21.25 (3) is a Minnesota resident; and

21.26 (4) is a member of a household whose total annual income during the year, without  
21.27 consideration of the benefits under this program, is equal to or less than 47 percent of the  
21.28 state median income in the current calendar year.

21.29 Subd. 3. Credit allowed. (a) An individual or corporate taxpayer is allowed a  
21.30 credit against the tax due under this chapter equal to 75 percent of the amount donated to  
21.31 a qualified early childhood education program during the taxable year. For taxable year  
21.32 2011, the maximum aggregate credits must not exceed \$500,000 per taxable year. For  
21.33 taxable years beginning after December 31, 2011, the maximum aggregate credits must  
21.34 not exceed \$1,000,000 per taxable year.

22.1 (b) A taxpayer must provide a copy of the receipt provided by the qualified early  
22.2 childhood education program when claiming the credit for the donation.

22.3 Subd. 4. **Application for credit certificates.** For taxable years beginning after  
22.4 December 31, 2010, a taxpayer must apply to the commissioner for an early childhood  
22.5 education access to quality tax credit certificate. The credit certificates under this section  
22.6 must be made available on a first-come, first-served basis until the maximum statewide  
22.7 credit amount has been reached. The commissioner must not issue a tax credit certificate  
22.8 for an amount greater than the limits under subdivision 3.

22.9 Subd. 5. **Responsibilities of qualified early childhood education programs.** (a)  
22.10 Each qualified early childhood education program that receives donations directly from  
22.11 taxpayers under this section must:

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

22.13 (2) demonstrate that it meets the definition of a qualified early childhood education  
22.14 program in subdivision 2, paragraph (c);

22.15 (3) provide a receipt or verification on a form approved by the commissioner to  
22.16 taxpayers for donations;

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

22.20 (5) demonstrate its financial accountability by submitting a financial information  
22.21 report for the organization that complies with uniform financial accounting standards  
22.22 established by the commissioner;

22.23 (6) demonstrate its financial viability, if it is to receive donations of \$150,000 or  
22.24 more during the school year, by filing financial information with the commissioner prior  
22.25 to September 1 of each year that demonstrates the financial viability of the qualified  
22.26 early childhood education program; and

22.27 (7) use amounts received as donations to provide scholarships to qualified students  
22.28 within one year of the date of receiving the donation.

22.29 (b) A qualified early childhood education program that receives donations directly  
22.30 from taxpayers under this program must report to the commissioner by June 1 of each year  
22.31 the following information regarding donations received and scholarships awarded in the  
22.32 previous calendar year:

22.33 (1) the total number and total dollar amount of donations from taxpayers received  
22.34 during the previous calendar year; and

22.35 (2) the total number and total dollar amount of scholarships awarded to qualified  
22.36 students during the previous calendar year.

23.1 (c) If the commissioner decides to bar a qualified early childhood education program  
23.2 from the program for failure to comply with the requirements in paragraph (a), the  
23.3 qualified early childhood education program must notify taxpayers who have donated to  
23.4 the qualified early childhood education program in writing within 30 days.

23.5 Subd. 6. **Responsibilities of commissioner.** (a) The commissioner must prescribe a  
23.6 standardized format for a receipt to be issued by a qualified early childhood education  
23.7 program to a taxpayer to indicate the value of a donation received.

23.8 (b) The commissioner must prescribe a standardized format for qualified early  
23.9 childhood education programs to report the information required under subdivision 5.

23.10 (c) The commissioner must post on the department's Web site the names and  
23.11 addresses of qualified early childhood education programs and regularly update the names  
23.12 and addresses of any qualified early childhood education programs that have been barred  
23.13 from participating in the program.

23.14 (d) The commissioner must conduct either a financial review or audit of a qualified  
23.15 early childhood education program upon finding evidence of fraud or intentional  
23.16 misreporting.

23.17 (e) The commissioner must bar a qualified early childhood education program from  
23.18 participating in the program if the commissioner establishes that the qualified early  
23.19 childhood education program has intentionally and substantially failed to comply with  
23.20 the requirements in subdivision 5. If the commissioner determines that a qualified early  
23.21 childhood education program should be barred from the program, the commissioner  
23.22 must notify the qualified early childhood education program within 60 days of that  
23.23 determination.

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

23.26 Sec. 6. **[290.0695] EARLY CHILDHOOD EDUCATION QUALITY**  
23.27 **IMPROVEMENT CREDIT.**

23.28 Subdivision 1. **Statement of intent.** The purpose of the early childhood education  
23.29 quality improvement credit is to encourage contributions that result in improvements to  
23.30 the quality of programming provided by eligible early childhood education providers.  
23.31 The success of the credit must be measured by determining amounts spent as a result of  
23.32 contributions qualifying for the credit to improve the quality of programming provided by  
23.33 eligible early childhood education providers.

23.34 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have  
23.35 the meanings given.

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24.1 (b) "Eligible early childhood education provider" means a provider who operates a  
24.2 program in an area in Minnesota in which the quality rating and improvement system tool  
24.3 established by the guidelines under chapter 119C is in use for the taxable year.

24.4 (c) "Resource and referral agency" means an agency that is designated by the  
24.5 Department of Human Services to provide child care resource and referral services.

24.6 Subd. 3. **Credit allowed.** (a) An individual or corporate taxpayer is allowed a  
24.7 credit against the tax due under this chapter equal to 75 percent of the amount donated to  
24.8 an eligible early childhood education provider or a resource and referral agency during  
24.9 the taxable year. For a taxpayer to be eligible for the credit, donations to eligible early  
24.10 childhood education providers must be used to improve program quality in ways that  
24.11 are consistent with the standards set by the quality rating and improvement system, and  
24.12 donations to resource and referral agencies must be used to provide early childhood  
24.13 education providers with direct quality improvement services that are consistent with the  
24.14 standards set by the quality rating and improvement system.

24.15 (b) For taxable year 2011, the maximum aggregate credits must not exceed \$500,000  
24.16 per taxable year. For taxable years beginning after December 31, 2011, the maximum  
24.17 aggregate credits must not exceed \$1,000,000 per taxable year.

24.18 (c) A taxpayer must provide a copy of the receipt provided by the eligible early  
24.19 childhood education provider or resource and referral agency when claiming the credit for  
24.20 the donation.

24.21 Subd. 4. **Application for credit certificates.** For taxable years beginning  
24.22 after December 31, 2010, and before January 1, 2013, a taxpayer must apply to the  
24.23 commissioner for an early childhood education quality improvement tax credit certificate.  
24.24 The credit certificates under this section must be made available on a first-come,  
24.25 first-served basis until the maximum statewide credit amount has been reached. The  
24.26 commissioner must not issue a tax credit certificate for an amount greater than the limits  
24.27 under subdivision 3.

24.28 Subd. 5. **Responsibilities of eligible early childhood education providers and**  
24.29 **resource and referral agencies.** (a) Each eligible early childhood education provider  
24.30 and resource and referral agency that receives contributions directly from taxpayers  
24.31 under this section must:

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

24.33 (2) demonstrate to the commissioner that it meets the requirements of this section;

24.34 (3) provide a receipt or verification on a form approved by the commissioner to  
24.35 taxpayers for contributions made to the eligible early childhood education provider  
24.36 or resource and referral agency;

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

25.4 (5) demonstrate its financial accountability by submitting a financial information  
25.5 report for the organization that complies with uniform financial accounting standards  
25.6 established by the commissioner;

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

25.11 (7) use amounts received as donations to improve program quality, in the case of  
25.12 eligible early childhood education providers, or to provide quality improvement services,  
25.13 in the case of resource and referral agencies, within one year of the date of receiving  
25.14 the donation.

25.15 (b) If the commissioner decides to bar an eligible early childhood education  
25.16 provider or a resource and referral agency from the program for failure to comply with  
25.17 the requirements in paragraph (a), the provider or agency must notify taxpayers who  
25.18 have donated to the eligible early childhood provider or resource and referral agency in  
25.19 writing within 30 days.

25.20 Subd. 6. Responsibilities of commissioner. (a) The commissioner must prescribe a  
25.21 standardized format for a receipt to be issued by an eligible early childhood education  
25.22 provider or a resource and referral agency to a taxpayer to indicate the value of a  
25.23 contribution received.

25.24 (b) The commissioner must prescribe a standardized format for eligible early  
25.25 childhood education providers or resource and referral agencies to report the information  
25.26 required under subdivision 5.

25.27 (c) The commissioner must post on the department's Web site the names and  
25.28 addresses of eligible early childhood education providers and resource and referral  
25.29 agencies and regularly update the names and addresses of any eligible early childhood  
25.30 education providers or resource and referral agencies that have been barred from  
25.31 participating in the program.

25.32 (d) The commissioner must conduct either a financial review or audit of an eligible  
25.33 early childhood education provider or a resource and referral agency upon finding  
25.34 evidence of fraud or intentional misreporting.

25.35 (e) The commissioner must bar an eligible early childhood education provider or  
25.36 a resource and referral agency from participating in the program if the commissioner

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26.1 establishes that the provider or agency has intentionally and substantially failed to comply  
26.2 with the requirements in subdivision 5. If the commissioner determines that a provider or  
26.3 agency should be barred from the program, the commissioner must notify the provider or  
26.4 agency within 60 days of that determination.

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

APPENDIX  
Article locations in 11-1614

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