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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 520

01/26/2017 Authored by Wills
The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance

1.1 A bill for an act
1.2 relating to taxation; individual income; establishing a subtraction and credit for
1.3 contributions to a Minnesota college savings plan; amending Minnesota Statutes
1.4 2016, section 290.0132, by adding a subdivision; proposing coding for new law
1.5 in Minnesota Statutes, chapter 290.

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

1.7 Section 1. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
1.8 to read:

1.9 Subd. 23. Contributions to Minnesota college savings plans. An amount equal to the
1.10 contributions made during the tax year to a Minnesota college savings plan organized under
1.11 chapter 136G, not including amounts rolled over from other college savings plan accounts,
1.12 is a subtraction. The amount subtracted under this subdivision may not exceed \$3,000 for
1.13 married couples filing joint returns and \$1,500 for all other filers. The subtraction allowed
1.14 under this subdivision must not include any amount used to claim the credit allowed under
1.15 section 290.0682.

1.16 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.17 31, 2016.

1.18 Sec. 2. [290.0682] MINNESOTA COLLEGE SAVINGS PLAN CREDIT.

1.19 Subdivision 1. Definitions. For purposes of this section, the terms "Minnesota college
1.20 savings plan," "account," "nonqualified distribution," and "plan administrator" have the
1.21 meanings given them in chapter 136G.

2.1 Subd. 2. Credit allowed. (a) A credit of up to \$500 is allowed against the tax imposed  
2.2 by this chapter, subject to the limitations in paragraph (b).

2.3 (b) The credit allowed must be calculated by applying the following rates to the amount  
2.4 contributed to a Minnesota college savings plan, as established in chapter 136G, in a taxable  
2.5 year:

2.6 (1) 200 percent for individual filers and married couples filing a joint return who have  
2.7 federal adjusted gross income of not more than 150 percent of the federal poverty guideline  
2.8 for a household size of four;

2.9 (2) 100 percent for individual filers and married couples filing a joint return who have  
2.10 federal adjusted gross income over 150 percent, but not more than 200 percent of the federal  
2.11 poverty guideline for a household size of four;

2.12 (3) 50 percent for individual filers and married couples filing a joint return who have  
2.13 federal adjusted gross income over 200 percent of the federal poverty guideline for a  
2.14 household size of four, but not more than \$80,000;

2.15 (4) 25 percent for married couples filing a joint return who have federal adjusted gross  
2.16 income over \$80,000, but not more than \$100,000;

2.17 (5) ten percent for married couples filing a joint return who have federal adjusted gross  
2.18 income over \$100,000, but not more than \$120,000; and

2.19 (6) five percent for married couples filing a joint return who have federal adjusted gross  
2.20 income over \$120,000, but not more than \$160,000.

2.21 (c) The \$80,000 amount in paragraph (b), clause (3), and the dollar amounts in paragraph  
2.22 (b), clauses (4) to (6), used to calculate the credit must be adjusted for inflation. The  
2.23 commissioner shall adjust by the percentage determined pursuant to the provisions of section  
2.24 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" shall  
2.25 be substituted for the word "1992." For 2016, the commissioner shall then determine the  
2.26 percent change from the 12 months ending on August 31, 2014, to the 12 months ending  
2.27 on August 31, 2015, and in each subsequent year, from the 12 months ending on August  
2.28 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The  
2.29 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10  
2.30 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The  
2.31 determination of the commissioner under this subdivision is not a rule under the  
2.32 Administrative Procedure Act, including section 14.386.

3.1 (d) The amount used to claim the credit under this section must be excluded from any  
3.2 amount subtracted from federal taxable income under section 290.0132, subdivision 23.

3.3 Subd. 3. **Credit transfer.** (a) The credit allowed under this section must be calculated  
3.4 after applying all other credits to the taxpayer's tax liability. If the amount of credit that the  
3.5 taxpayer is eligible to receive under this section exceeds the taxpayer's tax liability after  
3.6 applying all other credits, the commissioner shall transfer the excess amount according to  
3.7 paragraph (b).

3.8 (b) The commissioner shall transfer the excess amount calculated under paragraph (a)  
3.9 to the plan administrator to be deposited to the taxpayer's Minnesota college savings plan  
3.10 account. If the taxpayer made contributions to more than one account, the credit amount  
3.11 must be allocated based on the contributions to each account as a percentage of the total  
3.12 contributions to all accounts.

3.13 Subd. 4. **Verification of contribution amounts.** The commissioner of the Office of  
3.14 Higher Education must provide sufficient information to the commissioner of revenue to  
3.15 verify the taxpayer's annual contribution amounts to an account.

3.16 Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is  
3.17 liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified  
3.18 distribution, or the sum of credits received under this section for all years.

3.19 Subd. 6. **Appropriation.** An amount sufficient to pay the credit transfer amounts under  
3.20 subdivision 3 is appropriated to the commissioner from the general fund.

3.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.22 31, 2016.