

290.0684 SECTION 529 PLAN CREDIT.

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

(b) "Contribution" means the amount contributed to one or more qualified accounts except that the amount:

(1) is reduced by any withdrawals or distributions, other than transfers or rollovers to another qualified account, from a qualified account during the taxable year; and

(2) excludes the amount of any transfers or rollovers from a qualified account made during the taxable year.

(c) "Federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code.

(d) "Qualified account" means an account qualifying under section 529 of the Internal Revenue Code.

(e) "Qualified higher education expenses" has the meaning given in section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

(b) The amount of the credit allowed equals 50 percent of contributions for the taxable year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of \$75,000.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of \$75,000, but not more than \$100,000, the maximum credit is reduced by one percent of adjusted gross income in excess of \$75,000;

(2) for married couples with adjusted gross income in excess of \$100,000, but not more than \$135,000, the maximum credit is \$250; and

(3) for married couples with adjusted gross income in excess of \$135,000, the maximum credit is \$250, reduced by one percent of adjusted gross income in excess of \$135,000.

(e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

The determination of the commissioner under this subdivision is not subject to chapter 14, including section 14.386.

Subd. 3. **Allocation.** For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

History: *1Sp2017 c 1 art 1 s 25*