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## **S.F. No. 2977 – Modifications to eligible expenses for education credit and definition of income (as proposed to be amended by the A-1 amendment)**

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The Minnesota credit for K-12 expenses equals of 75 percent of the amount paid for certain education-related expenses for a qualifying child in kindergarten through grade 12. Qualifying expenses include tutoring fees, textbooks and other instructional materials, certain personal computer hardware and software, and transportation expenses. The credit equals \$1,000, multiplied by the number of qualifying children, for taxpayers with household income not greater than \$33,500. For families with household income greater than \$33,500, the credit phases out at different levels depending on the number of qualifying children. The credit is refundable.

**Section 1. Credit allowed; definitions.** Increases the amount that may be used for computer hardware and software expenses to \$300 and allows monthly internet service charges to be included in the expenses used to claim the credit. Effective beginning in tax year 2022.

**Section 2. Limitations.** Increases the income threshold at which the credit starts to phase out to \$70,000, requires the credit to be adjusted annually for inflation, and modifies the definition of income used to calculate the credit. Under current law, “household income” is defined as federal adjusted gross income (FAGI) plus nontaxable income. This bill removes household income as the income measure and instead uses FAGI.

**Section 3. Repealer.** Repeals the definition of “household income,” as it is no longer necessary.

Effective beginning in tax year 2022.