

S.F. No. 860 – K-12 credit modifications

Author: Senator Mary Kunesh

Prepared by: Nora Pollock, Senate Counsel (651/297-8066)

Date: March 1, 2023

The Minnesota credit for K-12 expenses equals of 75 percent of the amount paid for certain education-related expenses, up to \$1,000 per 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. 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. Reorganizes the language defining the eligible expenses that qualify for the credit. There would be no change to the meaning of expenses that qualify for the credit. Effective for taxable years beginning after December 31, 2022.

Section 2. Limitations. Increases the income threshold at which the credit starts to phase out to \$70,000 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 certain nontaxable income. This bill removes household income as the income measure and instead uses FAGI. Effective for taxable years beginning after December 31, 2022.

Section 3. Inflation adjustment. Requires the commissioner of revenue to annually adjust the \$70,000 FAGI threshold for inflation. Effective for taxable years beginning after December 31, 2022.

Section 4. Repealer. Repeals the definition of “household income” for purposes of calculating credit eligibility. This definition is no longer applicable given the modification to FAGI as the measure of income in section 2.