



About the K-12 Education Tax Credit

The K-12 Education Tax Credit is a critical tool for ensuring all Minnesota children have access to educational and arts afterschool and summer programming. It reimburses low-income families for 75% of the cost of these activities, up to \$1,500 per child. The income limit to claim the maximum credit is currently \$33,500 regardless of household size.

Contact

Erin Martin | Director of Minnesota Afterschool Advance
erin@youthprise.org
(651)-207-9882

Kristy Snyder | Twin Cities Opportunity Youth Network Director
kristy@youthprise.org
(612)-839-7118

What is the current problem?

Typically, families using the K-12 Education Tax Credit must pay the full price of afterschool programs up front and wait for reimbursement when they file their taxes. Most low-income families don't have the cash flow to wait for reimbursement, so the only way they can utilize the Tax Credit is by receiving a no-interest, no-fee advance on their Tax Credit dollars from a program like Youthprise's Minnesota Afterschool Advance through a process known as "assignment."

The education needs of Minnesota students have changed significantly over the past 25 years. The opportunity gap has widened. Sustained funding for out-of-school time programs has evaporated. And now the recovery from the pandemic and distance learning is threatening to grow the existing disparities between low-income and more affluent learning.

The one thing that hasn't changed in 25 years is the income limit to qualify for the maximum K-12 Education Tax Credit to get help paying for afterschool programs, computer devices, school supplies, and musical instruments. The current limit of \$33,500 regardless of household size has not been updated since 1997 and continues to use Household Income definition, which is confusing for families and administratively burdensome to calculate.

What is the solution?

Youthprise is proposing four items that are essential to any reforms to this tax credit:



Increasing the income limit from the current \$33,500 to \$70,000 with a phaseout range. By significantly updating the income limit to restore eligibility to those families who have lost it since the income limit for the maximum credit was last set in 1997.



Indexing the income limit to prevent it from remaining unchanged for another quarter century.



Increasing the maximum credit allowed from \$1,000 to \$1,500 per child



Shifting to using adjusted gross income (AGI) to calculate family eligibility rather than the current Household Income definition. The current definition of "household income" for the Tax Credit is complex and 1.5 pages long in state statute. It includes many forms of non-taxable income and is no longer used by other state tax credits. By changing the definition to AGI will make it simpler for families to determine their eligibility.

Why is it Needed?

As we struggle to get students caught up academically following the pandemic, ensuring everyone has access to activities like tutoring and academic enrichment is essential to avoiding a widening of our already troubling gap in educational outcomes between low-income students and their more affluent peers.

The K-12 Education Tax Credit gives low-income students critical access to tutoring and academic enrichment at a time when many are struggling to catch up from the pandemic:

- Minnesota math and reading test scores hit their lowest level in decades in 2022.
- Students in high-poverty school districts had higher learning loss according to the National Bureau of Economic Research.
- We're experiencing a "K-shaped recovery": more affluent students who are able access services like tutoring are on track to recover lost learning with lower income students being left behind.



About Youthprise and Minnesota Afterschool Advance

Youthprise is a statewide intermediary with a mission of increasing equity with and for Minnesota's indigenous, low-income, and racially diverse youth. We envision a Minnesota where outcomes for youth are no longer predictable by race, geography, and socio-economic status.



Minnesota Afterschool Advance (MAA) is a collaboration between Youthprise and Venn Foundation to help low-income families pay for out-of-school time programs by eliminating barriers to utilizing the K-12 Education Tax Credit. Learn more about MAA at www.mnafterschool.org.