

March 21, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2574 (Kupec), As Proposed to be Amended (SCS2574A-1)

Fund Impact

	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2026</u>
		(000's)		
General Fund	(\$15,300)	(\$16,000)	(\$16,600)	(\$17,300)

Effective beginning tax year 2023.

EXPLANATION OF THE BILL

Current Law: Qualifying Minnesota teachers may claim a nonrefundable tax credit in the year that they complete a master’s degree program. The credit equals the amount the taxpayer paid for tuition, fees, books, and instructional materials for the master’s degree program for which they did not receive reimbursement from an employer or scholarship, up to a maximum of \$2,500.

To qualify, a teacher must hold a license issued by the Minnesota Department of Education (MDE) when they begin the master’s degree program and when they complete the program, the program must have begun after June 30, 2017, and the program must be in a “core content area,” which includes the subjects of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. Finally, the program must not include pedagogy or a pedagogy component as curriculum.

Proposed Law: The bill would expand the credit to include newly licensed teachers and teachers attaining a master’s degree in special education.

An eligible newly licensed teacher is an individual who earned a qualifying teaching license or an additional teaching license in a license shortage area for the first time during the tax year. A qualifying teaching license is a Tier 3 or Tier 4 license.

The requirements for a Tier 3 license are a bachelor’s degree (with certain exceptions), passing scores on content and pedagogy exams, and one of the following: completion of a teacher education program in Minnesota or equivalent program from another state, a portfolio on the licensure field, three years of teaching experience at Tier 2, or a teaching license from another state with two years of experience.

The requirements for a Tier 4 license are a bachelor’s degree (with certain exceptions), completion of a teacher education program, passing scores on content and pedagogy exams, a passing score on an approved skills exam, and three years of experience teaching in Minnesota.

Qualifying special education programs include programs of study in developmental disabilities, early childhood special education, emotional or behavioral disorders, autism spectrum disorders, and learning disabilities. Special education programs would not be subject to the restriction on pedagogy components for other master’s degree programs.

REVENUE ANALYSIS DETAIL

Newly Licensed Teachers

- The number of qualifying teachers was calculated using annual staff data published by MDE and compiled by the Professional Educator Licensing and Standards Board (PELSB).
- In the 2020-21 school year, there were about 78,600 Tier 3 and Tier 4 teachers. In 2021-22, there were about 78,000 Tier 3 and Tier 4 teachers. This estimate assumes an average of 78,300 Tier 3 and Tier 4 licensed teachers in Minnesota.
- The number of newly licensed teachers each year is unknown. It is assumed that 8% of qualified teachers (about 6,300) are newly licensed each year.
- The number of teachers who pursue additional licenses in shortage areas is unknown. This estimate assumes that 2% of Tier 3 or Tier 4 teachers (about 1,600) will be licensed in a shortage area each year.
- Since the credit is nonrefundable, the average reduction in tax is estimated at \$1,745, based on information on the average tax benefit of the current credit from 2019 income tax returns.

Special Education Master's Degrees

- The number of qualifying teachers was calculated using annual staff data published by MDE and compiled by the Professional Educator Licensing and Standards Board (PELSB). PELSB includes teacher-level data on educational attainment and district-level headcounts of teachers by teaching assignment codes.
- About 1,400 teachers attained master's degrees each year. Of those, it is assumed that 18% are special education teachers, based on the percentage of teaching licenses in special education.
- The costs of tuition and other qualifying expenses are assumed to exceed \$2,500 for all eligible claimants.
- Since the credit is nonrefundable, the average reduction in tax is estimated at \$1,745, based on information on the average tax benefit of the current credit from 2019 income tax returns.
- Projected growth is based on the average growth rates of the total number of teachers, the number of special education teachers, and the number of teachers attaining a master's degree from the 2010-11 school year through the 2018-19 school year.
- Tax year impacts are allocated for the following fiscal year.

Number of Taxpayers: About 8,800 tax returns would be affected in tax year 2023. The average decrease in tax would be \$1,745.

Minnesota Department of Revenue
Tax Research Division
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