

Minnesota's Public School Fee Law and Education Tax Credit and Deduction

This information brief summarizes state law governing authorized and prohibited public school fees,¹ describes the education expenses allowed under the state's education tax deduction and credit, and outlines student user fees in other states. It contains tables showing:

- ▶ the interrelationship between public school fees and the education tax credit and deduction and
- ▶ student user fees for school services in other states

Nonpublic schools are not subject to the public school fee law and may charge fees for any education-related programs, services, or goods.

Minnesota's Policy Governing Student User Fees for School Services

Minnesota provides a free public school education consistent with state constitutional requirements.² Districts may charge only those fees authorized in statute and must hold a hearing before imposing fees that are neither authorized nor prohibited by statute. Under the state's public school fee law, school districts cannot deny students an education based on students' inability to furnish books or other educational supplies needed to complete high school graduation or other related educational requirements. School districts may not suspend or exclude students or withhold students' grades or diplomas for failing to pay school fees. School

districts may accept voluntary contributions and may charge fees for extracurricular and noncurricular activities, or activities that supplement a class or educational program.³ School districts deposit the proceeds from extracurricular and noncurricular fees in the “undesignated-unreserved” portion of the district’s general fund.

Authorized Public School Fees

School districts may require students to pay for certain specified school-related costs.⁴ Such school-related costs include fees for school uniforms, extracurricular activities, security deposits, personal athletic equipment, supplementary field trips, voluntary student insurance, musical instruments, student publications, graduation announcements, class rings, post-secondary instructional programs excluding adult basic education programs,⁵ and personal stationery supplies. In addition, school boards may charge fees for lost or destroyed textbooks, workbooks, and library books if the school district annually informs parents and students about its fee policy regarding lost and destroyed books.⁶ School districts must hold a public hearing before imposing a fee that is neither authorized nor prohibited by statute.⁷ School districts may waive fees for economically disadvantaged students.

Prohibited Public School Fees

Because the state makes available a free public school education to all eligible students,⁸ school boards are prohibited from charging fees for necessary goods and services.⁹ Such necessary goods and services include instructional materials and supplies, required library books, required school activities, lockers and student transportation to and from school for which aid or a levy is authorized. School boards must not charge a bus fee to students who live more than two miles from school but may charge a bus fee to students who live within two miles of school and wish to ride the school bus. Although school districts may not withhold the grades or diplomas of students who fail to pay fees, districts may seek court action to collect unpaid fees. It is not clear whether remedial instruction constitutes supplemental education, where a fee is permitted, or core curricula, where a fee is prohibited.¹⁰

Advantages and Disadvantages of Charging Student Fees

Student user fees generate revenues for school districts. They also can present concerns for school officials and state policymakers regarding equity in generating and allocating funds, accountability, and taxpayer support of school funding.

User fee supporters argue that fees are more acceptable than general tax increases because people who use fee-subsidized services help pay for them. The absence of fees, they say, would force school officials to eliminate entire extracurricular or enrichment programs that are important but cannot be funded with current levels of state aid or local tax revenues. By requiring students to pay participation fees for extracurricular activities, for example, a district can generate additional revenue that it can use to help offset a budget shortfall in an extracurricular activity or to help pay for new extracurricular activities not funded by a district.

User fee opponents argue that fees undermine the notion of a free public education by diminishing students' equal access to education, students' self worth, and equity among taxpayers. Fiscal inequities can arise when parent-teacher associations in neighboring schools are not equally successful in using fees to raise funds to supplement classroom resources. Inequities also can arise when affluent school districts are able to charge fees and thus spend at above average levels, and widen the gap in available resources with less wealthy districts. In addition, although fee-generated revenues rarely produce large amounts of money compared to other state and local funding sources, they may affect public support for tax levies and bond issues. Opponents say that while a law may waive fees for students who qualify for subsidized meals, fee waivers may separate students based on economic status and leave many students and their parents who are ineligible for fee waivers also unable to pay. Fees may vary widely between school districts.

Income Tax Deduction and Credit for Education-related Expenses

Minnesota's income tax features both a deduction and a refundable credit for education-related expenses. The deduction has been in effect since 1955 and allows parents to subtract from their taxable income up to \$2,500 for qualifying expenses on behalf of each child in grades 7 to 12, and up to \$1,625 for each child in grades K to 6.¹¹ Before 1997, qualifying expenses for the deduction were limited to tuition, transportation, textbooks, and instructional materials. In 1997, the legislature expanded the list of qualifying expenses to include tutoring, academic summer school and camps, and up to \$200 of the cost of a computer or education-related software. The tax benefit of the deduction depends on the taxpayer's marginal tax rate. A filer in the 7.85 percent bracket with a \$2,500 deduction benefits from a tax reduction of \$196.25.¹² A filer with no taxable income does not benefit from the deduction.

The income tax credit for education-related expenses first took effect in tax year 1998.¹³ Beginning in tax year 2002, the credit was reduced to 75 percent of qualifying expenses,¹⁴ while in 1998 to 2001 it equaled 100 percent of expenses. The maximum credit equals \$1,000 per child and \$2,000 per family. Families with incomes under \$33,500 may claim the maximum credit.¹⁵ The credit is phased out for families with incomes between \$33,500 and \$37,500.¹⁶ Taxpayers may claim the credit for all expenses allowed under the deduction, with the exception of nonpublic school tuition. In contrast to a deduction, which reduces taxable income, a tax credit directly reduces tax liability. The credit is refundable, meaning that any amount of credit that exceeds tax liability is paid to the claimant as a refund. As a result, a parent who qualifies for a \$1,000 refundable tax credit will enjoy a tax reduction or direct refund of \$1,000, regardless of the taxpayer's actual liability.

Relationship of Public School Fee Law and Education Deduction and Credit

Public schools are authorized to charge for some of the education-related expenses that qualify for the education deduction and credit. They are prohibited from charging for other qualifying expenses. Since the credit provides a 75 percent refund of up to \$1,000 per child for low-income families, public schools may consider increasing their use of authorized fees as a

revenue-raising tool with only a 25 percent cost to the parents. Table 1 summarizes education expenses for which fees are authorized and prohibited, and those that qualify for the tax deduction and credit.

Table 1 Minnesota Public School Fees and Education Deduction/Credit		
	Deduction/Credit Allowed	Deduction/Credit NOT Allowed
Public School Fees Authorized for	<ul style="list-style-type: none"> ▶ Instructional program of academic summer school/camp, if not required for graduation ▶ Transportation to and from school that is not reimbursed by aid/levy ▶ Clothing for physical education used specifically and exclusively for school physical education program ▶ Rental and purchase of musical instruments ▶ Shop, etc., materials for products that students get to keep and that exceed minimum course requirements ▶ Computer hardware and software, if not required for graduation ▶ Driver's education ▶ Community education programs, including all-day kindergarten ▶ Personal stationery supplies 	<ul style="list-style-type: none"> ▶ Uniforms ▶ Optional class trips and field trips ▶ Class rings, yearbooks, graduation announcements ▶ School uniforms ▶ Transportation to extracurricular events
Public School Fees Prohibited for	<ul style="list-style-type: none"> ▶ Tuition for regular instruction (deduction only) ▶ Instructional program of academic summer school/camp, if required for graduation ▶ Transportation to and from school that is reimbursed by aid/levy ▶ Required nonreligious textbooks ▶ Shop, etc., materials required for a course 	<ul style="list-style-type: none"> ▶ Graduation caps, gowns, diplomas ▶ Required class trips and field trips ▶ Fees for locker rental
Unclear if Fees Authorized	<ul style="list-style-type: none"> ▶ Remedial tutoring ▶ Calculators for students' use 	

Student User Fees in Other States

Of the 37 states that explicitly permit school districts to charge user fees, about one-half of those states allow districts to assess fees for academic materials such as workbooks and textbooks that directly relate to schools' core educational programs. Charges for damages to textbooks and equipment are the most commonly assessed fees in these states. A number of these states permit schools to charge students for participating in clubs, athletic programs, laboratory experiments and field trips, enrolling in driver's education courses and summer school, or using workbooks, pencils, paper, eye and ear protective devices, and the school parking lot and, sometimes, required textbooks.

Fifteen of the states, which tend to have lower per pupil expenditures than other states, charge students for academic materials: Alaska, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, New Hampshire, New York, North Carolina, South Carolina, Tennessee, Utah, and Wisconsin. Sixty-seven percent of the states that allow fees were in the bottom of per pupil expenditures nationwide; 40 percent were in the bottom quarter; and 2 percent were in the top quarter.

In addition to the fees for core curriculum shown in Table 2, state courts in California and North Dakota have upheld student bus fees, which sprawling school districts use to defray transportation costs. The practice of charging school fees for general education costs conflicts with Minnesota's policy of making available a free public education to all eligible students.

Table 2
Student Fees in Other States

State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Alabama	No (fees allowed for laboratory and shop materials and equipment for nonrequired classes)	No	Employers who provide a program that enhances employees' basic skills up to the 12th grade level, receive a tax credit of 20% of the cost of the program	No
Alaska	No (lab fees allowed for some science classes)	No	No	No
Arizona	No (fees allowed only for damage to textbooks or other supplies, for optional extracurricular activities, and for optional services, equipment, and materials beyond those needed to complete basic requirements)	No	Up to \$500 in income tax credits (\$625 for married filers) for donating money to nonprofit groups that provide scholarships to attend private schools. Also up to \$200 tax credit (\$250 for married filers) for money given to public schools to support extracurricular activities that may require fees. In addition, tax credit for up to 30% of value of donated property/improvements to a school site is allowed	No
Arkansas	No	No	No	No
California	No (fees allowed for consumable materials, lost or damaged books or property, field trips, insurance, deposit for band instruments and uniforms taken to a foreign country, transportation, food, optional school camp programs, child care, and finger printing) No fees may be charged for supplies deposits, tuition, club fees as a condition for participation in school activities, textbooks, or other necessary supplies	No	No	No

Many states waive fees in cases of economic hardship.

State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Colorado	Yes, fees allowed for textbook rental and damage deposit, extracurricular activities, and summer school.	No	No	No
Connecticut	No (fees allowed for extracurricular activities portion of Arts Academy tuition not paid by home district)	No	No	Demonstration scholarship program enacted in 1972 but never funded
Delaware	No (fees allowed for athletics or other supplemental offerings)	No	No	No
D.C.	No (charges allowed for damaged textbooks and nonresident tuition)	No	No	No
Florida	No (voluntary fees allowed and charges for lost or damaged textbooks allowed)	No	No (credit allowed for contributions to nonprofit scholarship funding organizations)	No
Georgia	No (fees allowed for lost or damaged textbooks)	No	No (credit up to \$150 allowed for amount spent on driver education course at a private training school)	No
Hawaii	No (fees allowed for lab costs, damages, cocurricular activities and tuition for summer school)	No	No	No
Idaho	No (lab and athletic fees allowed)	No	No	No
Illinois	Yes, fees allowed for textbooks and nonreturnable materials	No	25% of qualified education expenses (in excess of \$250), up to \$500	No
Indiana	Yes, fees allowed for textbook rental	No	No	No
Iowa	Yes, fees allowed for textbooks, protective eye and ear devices, driver education courses, summer school courses, transportation, and school supplies	No	Credit allowed for each dependent for 25% of first \$1,000 paid for tuition and textbooks (at nonprofit K-12 schools)	No

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State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Kansas	Yes, fees allowed for textbooks, consumable supplies, transportation (if not required to be provided), summer school (if not required), and extraordinary school programs	No	No	No
Kentucky	Yes, fees allowed for textbooks and school supplies	No	No	No
Louisiana	No (fees allowed for lab fees and workbooks not considered part of basic education and extracurricular activities including band, athletics, theatre)	No	No (there is a credit of \$25/child for K-12 education expenses, but it is not available for tax years 2000-2005)	No
Maine	No (fees allowed for noncore programs, including driver education)	No	No	Rural districts unable to maintain a public high school send secondary students to private secular schools. Program is not primarily intended to expand students' school choice.
Maryland	No	No	No	No
Massachusetts	No (fees allowed for athletics, after school activities)	No	No	No
Michigan	No (fees allowed for extracurricular activities, athletics, and damage to school property or supplies)	No	No	No
Minnesota	No	Deduction from Minnesota taxable income of up to \$1,625 for each child in grades K-6; \$2,500 for each child in grades 7-12	Refundable income tax credits of \$1,000/child and \$2,000/family for families with incomes under \$37,500 for K-12 education expenses (credit is reduced by \$1/child and \$2/family for every \$4 over \$33,500 in income)	No
Mississippi	No (fees allowed for supplemental materials, extracurricular activities, transportation)	No	No	No

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State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Missouri	No (fees allowed for special school projects and instrument rental)	No	No	St. Louis has two privately funded voucher programs.
Montana	No (exceptions for extracurricular activities and breakage or excessive use of supplies in arts, vocational education, and science classes) Some districts with budget shortfalls may construe the authorizing statute to allow charging fees for science labs and vocational education classes	No	No	No
Nebraska	No (fees allowed for extracurricular activities, lost or damaged school property, minor personal or consumable items, project materials that become student property, use of musical instruments, and transportation for optional music courses)	No	No	No
Nevada	No (fees allowed for voluntary or elective activities)	No	No	No
New Hampshire	No (charges allowed for lost or damaged textbooks)	No	No	No
New Jersey	No (some districts charge fees for extracurricular activities)	No	No	No
New Mexico	No (charges allowed for damaged textbooks)	No	No	No
New York	No	No	No	No
North Carolina	No (charges allowed for damaged textbooks)	No	No	No

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State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
North Dakota	No (charges allowed for damaged textbooks, driver education instruction, extracurricular activities, personal athletic equipment and clothing, program products that become a student's personal property, and overdue library books)	No	No	No
Ohio	No (charges allowed for materials other than textbooks, lost or damaged school property)	No	No	U.S. Supreme Court recently held Cleveland voucher program constitutional. Low-income families receive tuition vouchers of up to \$2,500 at a private or religious school and up to \$360 in tutorial aid.
Oklahoma	No (fees only allowed for classes not required by statute and not reasonably related to a school's academic or educational program and activities not directly related to education such as parking fees)	No	No	No
Oregon	No (fees allowed for courses not part of the regular school program, school locks, use of musical instruments, program products that become the student's personal property, extracurricular activities)	No	No	No
Pennsylvania	No	No	A new law awards tax credits to businesses that contribute to scholarship or education improvement organizations	No
Rhode Island	No (charges allowed for vocational project materials the student intends to keep, deposits for safekeeping school property other than books and supplies)	No	No	No

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State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
South Carolina	No (matriculation charges and incidental fees allowed)	No	No	No
South Dakota	No (charges allowed for band instruments, extracurricular activities)	No	No	No
Tennessee	No (districts can request fees unrelated to attending school or receiving instruction and most schools have a fee system)	No	No	No
Texas	No (fees allowed for extracurricular or personally consumable items)	No	No	No
Utah	Yes, fees may be charged in secondary schools	No	No (except that through 2010 there is a nonrefundable credit for 25% of expenses, up to \$100, paid for tutoring a disabled dependent)	No
Vermont	No	No	No	Voucher program in effect in rural areas unable to maintain a public high school. Students may attend nearby public or secular private schools. Program is not primarily intended to expand students' educational choices.
Virginia	No (fees allowed for band instruments and supplemental or extracurricular activities only)	Allows a deduction from federal adjusted gross income for contributions to Public School Construction Grants Program and Fund (if not already deducted on federal return) and 20% of tuition costs that K-12 school teachers incur for attending required continuing teacher education classes (if not reimbursed and not already deducted on the federal return)	No	No

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State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Washington	Yes. Districts may charge fees but must provide free textbooks when it serves the districts' best interests.	No	No	No
West Virginia	No	No	No	No
Wisconsin	Yes, for books	No	No	The Milwaukee Parental Choice Program allows eligible resident students to attend any private or parochial school in Milwaukee at state expense if family income is not greater than 1.75 times the poverty level and certain enrollment requirements are met.
Wyoming	No. While fees aren't generally prohibited, districts must loan textbooks free of charge (fees allowed for damage to school property and for protective eye wear for certain courses)	No	No	No

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ENDNOTES

1. The state's public school fee law appears in [Minnesota Statutes, sections 123B.34 to 123B.39](#) (formerly sections 120.71 to 120.76).
2. [Article XIII](#), section 1, of the Minnesota Constitution requires the legislature to establish a general and uniform system of public schools, using taxes or other means, that will provide "a thorough and efficient system of public schools throughout the state."
3. [Minnesota Rules, part 3500.1050](#), defines the terms curricular, cocurricular, noncurricular, extracurricular, and supplementary for purposes of the public school fee law.

"Curricular" means those required or elective portions of the school program for which credit is granted.

"Cocurricular" means school-sponsored and directed activities at school and public events that allow students to participate individually or in groups to improve their skills. Such activities are: for credit or required for graduation; conducted during school hours or established by school authorities outside school hours; directed or supervised by instructional staff in a learning environment similar to that in courses offered for credit; or primarily or totally funded by public moneys for general instruction purposes under the direction and control of the school board. Local general funds subsidize deficits resulting from these activities.

"Noncurricular" means those activities that include direct and personal services for students' enjoyment that an adult or staff member manages and generally operates. Such activities are: not for credit or required for graduation; usually conducted outside of school hours; determined primarily by the interest of students and their parents, with guidance from a staff member of other adult; and self-sustaining activities paid for through dues, admissions, or other student fund raising events. Salary costs and the indirect costs of using a school facility may be funded by public moneys. Extracurricular and supplementary activities come within the definition of noncurricular activities.

4. [Minnesota Statutes, section 123B.36](#), lists school-related costs for which school boards may charge fees.
5. [Minnesota Statutes, section 123B.39](#), allows school boards to charge reasonable fees for goods and services provided in connection with post-secondary instructional programs, including vocational technical, veteran farmer cooperative training, community education programs, and continuing education and evening school programs, excluding adult basic education programs.
6. [Minnesota Statutes, section 123B.37](#), allows school boards to charge fees for textbooks, workbooks, and library books that students lose or destroy.
7. [Minnesota Statutes, section 123B.38](#), allows school boards after holding a public hearing to impose fees that are neither specifically authorized nor prohibited in law.
8. [Minnesota Statutes, section 123B.35](#), states in part that "[i]t is the policy of the state of Minnesota that public school education shall be free and no pupil shall be denied an education because of economic inability to furnish educational books and supplies necessary to complete educational requirements necessary for graduation."

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9. [Minnesota Statutes, section 123B.37](#), lists school-related costs for which school boards are prohibited from charging fees.
 10. In *Agostini v. Felton*, 117 S.Ct.1997 (1997), Justice Souter, writing for the minority, maintained that Title I compensatory services providing remedial instruction to economically disadvantaged public and nonpublic students made it impossible to draw any line between supplemental and general education.
 11. [Laws 1997, 1st special session, chapter 4](#), article 13, increased the amount of the deduction from \$1,000 to \$2,500 for children in grades 7 to 12, and from \$650 to \$1,625 for children in grades K to 6.
 12. In tax year 2000, the 7.85 percent bracket will apply to income over \$106,660 for married couples filing joint returns, and to income over \$92,560 for single parents.
 13. [Laws 1997, 1st spec. sess., ch. 4](#), art. 13.
 14. [Laws 2001, 1st spec. sess., ch. 5](#), art. 9, § 11.
 15. The income measure used is the same as that used for determining the property tax refund and the child care credit; it is a broad measure that includes welfare benefits, tax-exempt interest, and nontaxable Social Security.
 16. During 1998, the first year the credit was in effect, only families with incomes under \$33,500 were eligible. The current phase out was implemented in 1999 ([Laws 1999, ch. 243](#), art. 2, sec. 14).