

1.1 A bill for an act
1.2 relating to taxation; individual income; providing a refundable credit for payment
1.3 of principal and interest on student loans; appropriating money; proposing coding
1.4 for new law in Minnesota Statutes, chapter 290.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[290.0678] EDUCATION OPPORTUNITY CREDIT.**

1.7 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
1.8 have the meanings given.

1.9 (b) "Eligible individual" means an individual who:

1.10 (1) is a Minnesota resident who graduated from a postsecondary educational
1.11 institution located in Minnesota or from a public postsecondary educational institution
1.12 located in a state with which a tuition reciprocity agreement under section 136A.08 was in
1.13 effect when the individual graduated; and

1.14 (2) has a household income under \$75,000. For purposes of this section, "household
1.15 income" means income as described in section 290.067, subdivision 2a.

1.16 (c) "Eligible employer" means an employer of an eligible individual who undertakes
1.17 partial or full payment of the eligible individual's qualified education loan.

1.18 (d) "Qualified education loan" has the meaning given in section 221 of the Internal
1.19 Revenue Code, but is limited to indebtedness incurred on behalf of the taxpayer or
1.20 taxpayer's spouse.

1.21 (e) "Postsecondary educational institution" means a two- or four-year postsecondary
1.22 educational institution that meets the definition of "eligible educational institution"
1.23 provided in section 221(d)(2)(B) of the Internal Revenue Code.

2.1 (f) "Maximum qualifying amount" is the allowance for tuition and fees most recently
2.2 set in law as required under section 136A.121, subdivision 6. For an eligible individual
2.3 who graduated from a two-year postsecondary educational institution, the maximum
2.4 qualifying amount equals the allowance for tuition and fees specified for a two-year
2.5 institution, and for an eligible individual who graduated from a four-year postsecondary
2.6 educational institution, the maximum qualifying amount equals the allowance for tuition
2.7 and fees specified for a four-year institution.

2.8 Subd. 2. **Credit allowed.** (a) An eligible individual or an eligible employer is
2.9 allowed a credit against the tax due under this chapter.

2.10 (b) The credit amount for an eligible individual equals the lesser of:

2.11 (1) the amount the individual paid during the taxable year to pay principal and
2.12 interest on qualified education loans; or

2.13 (2) the maximum qualifying amount.

2.14 (c) An eligible employer may only claim the credit based on qualified education
2.15 loan payments made on behalf of the eligible individual in months in which the eligible
2.16 individual did not make payments. The credit amount for an eligible employer equals
2.17 the least of:

2.18 (1) the amount the eligible employer paid during the taxable year to pay principal
2.19 and interest on qualified education loans of an eligible individual;

2.20 (2) the maximum qualifying amount; or

2.21 (3) the amount the eligible individual would have been able to claim had the eligible
2.22 individual made the payments in place of the employer.

2.23 Subd. 3. **Credit refundable.** If the amount of credit which a taxpayer is eligible
2.24 to receive under this section exceeds the taxpayer's tax liability under this chapter, the
2.25 commissioner shall refund the excess to the taxpayer.

2.26 Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this
2.27 section is appropriated to the commissioner from the general fund.

2.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.29 December 31, 2008.