

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 3092

(SENATE AUTHORS: CLAUSEN and Bonoff)

DATE	D-PG	OFFICIAL STATUS
03/23/2016	5224	Introduction and first reading Referred to Taxes

1.1 A bill for an act
 1.2 relating to higher education; allowing student loan income tax credit; proposing
 1.3 coding for new law in Minnesota Statutes, chapter 290.

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

1.5 Section 1. **[290.0682] STUDENT LOAN CREDIT.**

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

1.8 (b) "Eligible individual" means an individual who has one or more qualified
 1.9 education loans related to an undergraduate or graduate degree program at a postsecondary
 1.10 educational institution.

1.11 (c) "Modified adjusted gross income" has the meaning given in section 221(b)(2)(C)
 1.12 of the Internal Revenue Code.

1.13 (d) "Postsecondary educational institution" means a postsecondary institution
 1.14 eligible for state student aid under section 136A.103, or, if the institution is not located in
 1.15 this state, a postsecondary institution participating in the federal Pell Grant program under
 1.16 Title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

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

1.20 Subd. 2. **Credit allowed; limitation.** (a) An eligible individual or the parent of an
 1.21 eligible individual is allowed a credit against the tax due under this chapter.

1.22 (b) The credit for an eligible individual equals the amount the eligible individual
 1.23 paid during the taxable year to pay principal and interest on qualified education loans
 1.24 up to \$5,000.

2.1 (c) The credit for the parent of an eligible individual equals the amount the parent
2.2 of the eligible individual paid during the taxable year to pay principal and interest on
2.3 qualified education loans of the eligible individual, up to \$5,000, less the amount of credit
2.4 allowed to the eligible individual under paragraph (b).

2.5 (d) For married couples filing joint returns, the maximum credit is reduced by \$1 for
2.6 every \$6 of modified adjusted gross income in excess of \$130,000. For all other filers,
2.7 the maximum credit is reduced by \$1 for every \$3 of modified adjusted gross income in
2.8 excess of \$65,000. In no case is the maximum credit less than zero.

2.9 (e) For a nonresident or part-year resident, the credit must be allocated based on the
2.10 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

2.11 Subd. 3. **Credit refundable.** If the amount of credit that an individual who is a
2.12 resident or part-year resident of Minnesota is eligible to receive under this section exceeds
2.13 the individual's tax liability under this chapter, the commissioner shall refund the excess
2.14 to the individual. For nonresident taxpayers, the credit must not exceed the taxpayer's
2.15 liability for tax under this chapter.

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

2.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.19 December 31, 2015.