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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 521

01/26/2017 Authored by Wills
The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance

1.1 A bill for an act
1.2 relating to taxation; income; allowing a subtraction and establishing a refundable
1.3 credit for certain contributions for higher education expenses; appropriating money;
1.4 amending Minnesota Statutes 2016, section 290.0132, by adding a subdivision;
1.5 proposing coding for new law in Minnesota Statutes, chapter 290.

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

1.7 Section 1. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
1.8 to read:

1.9 Subd. 23. Contributions to 529 plan. (a) The amount equal to the contributions made
1.10 during the taxable year to an account in a plan qualifying under section 529 of the Internal
1.11 Revenue Code, reduced by any withdrawals from the account during the taxable year, is a
1.12 subtraction.

1.13 (b) The subtraction under this subdivision does not include:

1.14 (1) amounts rolled over from other college savings plan accounts; or

1.15 (2) any amount used to claim the credit allowed under section 290.0684.

1.16 (c) The subtraction under this subdivision must not exceed \$3,000 for married couples
1.17 filing joint returns and \$1,500 for all other filers.

1.18 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.19 31, 2016.

2.1 Sec. 2. ~~[290.0684]~~ SECTION 529 COLLEGE SAVINGS PLAN CREDIT.

2.2 Subdivision 1. **Definitions.** For purposes of this section, the term "federal adjusted gross
2.3 income" has the meaning given under section 62(a) of the Internal Revenue Code, and
2.4 "nonqualified distribution" means any distribution that is includable in gross income under
2.5 section 529 of the Internal Revenue Code.

2.6 Subd. 2. **Credit allowed.** (a) A credit of up to \$500 is allowed to a resident individual
2.7 against the tax imposed by this chapter, subject to the limitations in paragraph (b). The
2.8 credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined
2.9 in sections 151 and 152 of the Internal Revenue Code.

2.10 (b) The credit allowed must be calculated by applying the following rates to the amount
2.11 contributed to an account in a plan qualifying under section 529 of the Internal Revenue
2.12 Code, in a taxable year, reduced by any withdrawals from the account made during the
2.13 taxable year:

2.14 (1) 50 percent for individual filers and married couples filing a joint return who have
2.15 federal adjusted gross income of not more than \$80,000;

2.16 (2) 25 percent for married couples filing a joint return who have federal adjusted gross
2.17 income over \$80,000, but not more than \$100,000;

2.18 (3) ten percent for married couples filing a joint return who have federal adjusted gross
2.19 income over \$100,000, but not more than \$120,000; and

2.20 (4) five percent for married couples filing a joint return who have federal adjusted gross
2.21 income over \$120,000, but not more than \$160,000.

2.22 (c) The income thresholds in paragraph (b), clauses (1) to (4), used to calculate the credit,
2.23 must be adjusted for inflation. The commissioner shall adjust by the percentage determined
2.24 under the provisions of section 1(f) of the Internal Revenue Code, except that in section
2.25 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2018, the commissioner
2.26 shall then determine the percent change from the 12 months ending on August 31, 2016, to
2.27 the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months
2.28 ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding
2.29 the taxable year. The income thresholds as adjusted for inflation must be rounded to the
2.30 nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10
2.31 amount. The determination of the commissioner under this subdivision is not subject to
2.32 chapter 14, including section 14.386.

3.1 Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to
3.2 receive under this section exceeds the individual's tax liability under this chapter, the
3.3 commissioner shall refund the excess to the individual.

3.4 Subd. 4. **Allocation.** For a part-year resident, the credit must be allocated based on the
3.5 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

3.6 Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is
3.7 liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified
3.8 distribution, or the sum of credits received under this section for all years.

3.9 Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section
3.10 is appropriated to the commissioner from the general fund.

3.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.12 31, 2016.