

**SENATE  
STATE OF MINNESOTA  
NINETY-SECOND SESSION**

**S.F. No. 1400**

(SENATE AUTHORS: ISAACSON)

DATE  
02/25/2021

D-PG  
549 Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to taxation; individual income; making the student loan credit refundable;  
1.3 modifying the credit calculation for married taxpayers filing joint returns; amending  
1.4 Minnesota Statutes 2020, section 290.0682.

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

1.6 Section 1. Minnesota Statutes 2020, section 290.0682, is amended to read:

1.7 **290.0682 STUDENT LOAN CREDIT.**

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

1.10 (b) "Adjusted gross income" means federal adjusted gross income as defined in section  
1.11 62 of the Internal Revenue Code.

1.12 (c) "Earned income" has the meaning given in section ~~32(e) of the Internal Revenue~~  
1.13 ~~Code~~ 290.0675, subdivision 1, paragraph (b).

1.14 (d) "Eligible individual" means a resident individual with one or more qualified education  
1.15 loans related to an undergraduate or graduate degree program at a postsecondary educational  
1.16 institution.

1.17 (e) "Eligible loan payments" means the amount the eligible individual paid during the  
1.18 taxable year in principal and interest on qualified education loans.

1.19 (f) "Postsecondary educational institution" means a public or nonprofit postsecondary  
1.20 institution eligible for state student aid under section 136A.103 or, if the institution is not  
1.21 located in this state, a public or nonprofit postsecondary institution participating in the

2.1 federal Pell Grant program under title IV of the Higher Education Act of 1965, Public Law  
2.2 89-329, as amended.

2.3 (g) "Qualified education loan" has the meaning given in section 221 of the Internal  
2.4 Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual.

2.5 Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax  
2.6 due under this chapter.

2.7 (b) The credit for an eligible individual equals the least of:

2.8 (1) eligible loan payments minus ten percent of an amount equal to adjusted gross income  
2.9 in excess of \$10,000, but in no case less than zero;

2.10 (2) the earned income for the taxable year of the eligible individual, if any;

2.11 (3) the sum of:

2.12 (i) the interest portion of eligible loan payments made during the taxable year; and

2.13 (ii) ten percent of the original loan amount of all qualified education loans of the eligible  
2.14 individual; or

2.15 (4) \$500.

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

2.18 (d) In the case of a married couple, each spouse is eligible for the credit in this section.  
2.19 For the purposes of paragraph (b), for married taxpayers filing joint returns, each spouse's  
2.20 adjusted gross income equals the spouse's percentage share of the couple's earned income,  
2.21 multiplied by the taxpayer's adjusted gross income.

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

2.25 (b) An amount sufficient to pay the refunds required by this section is appropriated to  
2.26 the commissioner from the general fund.

2.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
2.28 31, 2020.