

SENATE  
STATE OF MINNESOTA  
NINETY-THIRD SESSION

S.F. No. 860

(SENATE AUTHORS: KUNESH, Rest, Westlin, Boldon and Nelson)

DATE	D-PG	OFFICIAL STATUS
01/27/2023	461	Introduction and first reading Referred to Taxes
03/02/2023	1287	Author added Boldon
03/06/2023	1364	Author added Nelson See HF1938

1.1 A bill for an act

1.2 relating to taxation; individual income; expanding the Minnesota education credit;

1.3 making related technical changes; amending Minnesota Statutes 2022, section

1.4 290.0674, subdivisions 1, 2, by adding a subdivision; repealing Minnesota Statutes

1.5 2022, section 290.0674, subdivision 2a.

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

1.7 Section 1. Minnesota Statutes 2022, section 290.0674, subdivision 1, is amended to read:

1.8 Subdivision 1. **Credit allowed; definitions.** (a) An individual is allowed a credit against

1.9 the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for

1.10 education-related expenses for a qualifying child in kindergarten through grade 12.

1.11 (b) For purposes of this section, "education-related expenses" means:

1.12 ~~(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision~~

1.13 ~~10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association,~~

1.14 ~~and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular~~

1.15 ~~school day or school year, including tutoring, driver's education offered as part of school~~

1.16 ~~curriculum, regardless of whether it is taken from a public or private entity or summer~~

1.17 ~~camp, in grade or age appropriate curricula that supplement curricula and instruction~~

1.18 ~~available during the regular school year, that assists a dependent to improve knowledge of~~

1.19 ~~core curriculum areas or to expand knowledge and skills under the required academic~~

1.20 ~~standards under section 120B.021, subdivision 1, and the world languages standards under~~

1.21 ~~section 120B.022, subdivision 1, and that do not include the teaching of religious tenets,~~

1.22 ~~doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship~~

1.23 qualifying instructional fees or tuition;

2.1 (2) expenses for textbooks, including books and other instructional materials and  
2.2 equipment purchased or leased for use in elementary and secondary schools in teaching  
2.3 only those subjects legally and commonly taught in public elementary and secondary schools  
2.4 in this state. "Textbooks" does not include instructional books and materials used in the  
2.5 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such  
2.6 tenets, doctrines, or worship, nor does it include books or materials for extracurricular  
2.7 activities including sporting events, musical or dramatic events, speech activities, driver's  
2.8 education, or similar programs;

2.9 (3) a maximum expense of \$200 per family for personal computer hardware, excluding  
2.10 single purpose processors, and educational software that assists a dependent to improve  
2.11 knowledge of core curriculum areas or to expand knowledge and skills under the required  
2.12 academic standards under section 120B.021, subdivision 1, and the elective standard under  
2.13 section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and  
2.14 not used in a trade or business regardless of whether the computer is required by the  
2.15 dependent's school; and

2.16 (4) the amount paid to others for transportation of a qualifying child attending an  
2.17 elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa,  
2.18 or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory  
2.19 attendance laws, which is not operated for profit, and which adheres to the provisions of  
2.20 the Civil Rights Act of 1964 and chapter 363A. Amounts under this clause exclude any  
2.21 expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle.

2.22 (c) For purposes of this section, "qualifying child" has the meaning given in section  
2.23 32(c)(3) of the Internal Revenue Code.

2.24 (d) For purposes of this section, "qualified instructor" means an individual who is not a  
2.25 lineal ancestor or sibling of the dependent and who is:

2.26 (1) an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5);

2.27 or

2.28 (2) a member of the Minnesota Music Teachers Association.

2.29 (e) For the purposes of this section, "qualifying instructional fees or tuition" means fees  
2.30 or tuition for instruction by a qualified instructor outside the regular school day or school  
2.31 year, and that does not include the teaching of religious tenets, doctrines, or worship, the  
2.32 purpose of which is to instill such tenets, doctrines, or worship, including:

2.33 (1) tutoring;

3.1 (2) driver's education offered as part of school curriculum, regardless of whether it is  
 3.2 taken from a public or private entity; or

3.3 (3) summer camps, in grade or age appropriate curricula that supplement curricula and  
 3.4 instruction available during the regular school year, that assists a dependent to improve  
 3.5 knowledge of core curriculum areas or to expand knowledge and skills under the required  
 3.6 academic standards under section 120B.021, subdivision 1, and the world languages standards  
 3.7 under section 120B.022, subdivision 1.

3.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 3.9 31, 2022.

3.10 Sec. 2. Minnesota Statutes 2022, section 290.0674, subdivision 2, is amended to read:

3.11 Subd. 2. **Limitations.** (a) For claimants with adjusted gross income not greater than  
 3.12 ~~\$33,500~~ \$70,000, the maximum credit allowed for a family is ~~\$1,000~~ \$1,500 multiplied by  
 3.13 the number of qualifying children in kindergarten through grade 12 in the family. The  
 3.14 maximum credit for families with one qualifying child in kindergarten through grade 12 is  
 3.15 reduced by \$1 for each \$4 of ~~household~~ adjusted gross income over ~~\$33,500~~ \$70,000, and  
 3.16 the maximum credit for families with two or more qualifying children in kindergarten  
 3.17 through grade 12 is reduced by \$2 for each \$4 of ~~household~~ adjusted gross income over  
 3.18 ~~\$33,500~~ \$70,000, but in no case is the credit less than zero.

3.19 (b) In the case of a married claimant, a credit is not allowed unless a joint income tax  
 3.20 return is filed.

3.21 (c) For a nonresident or part-year resident, the credit determined under subdivision 1  
 3.22 and the maximum credit amount in paragraph (a) must be allocated using the percentage  
 3.23 calculated in section 290.06, subdivision 2c, paragraph (e).

3.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 3.25 31, 2022.

3.26 Sec. 3. Minnesota Statutes 2022, section 290.0674, is amended by adding a subdivision  
 3.27 to read:

3.28 **Subd. 6. Inflation adjustment.** The commissioner shall annually adjust the adjusted  
 3.29 gross income amounts in subdivision 2, as provided in section 270C.22. The statutory year  
 3.30 is taxable year 2023.

3.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 3.32 31, 2023.

4.1 Sec. 4. **REPEALER.**

4.2 Minnesota Statutes 2022, section 290.0674, subdivision 2a, is repealed.

4.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

4.4 31, 2022.

**290.0674 MINNESOTA EDUCATION CREDIT.**

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

APPENDIX  
Repealed Minnesota Statutes: 23-02354

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.