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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **3441**

03/21/2016 Authored by Applebaum

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance

1.1 A bill for an act
1.2 relating to taxation; individual income; providing a credit for student loan
1.3 payments; proposing 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. **[290.0693] 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) "Adjusted gross income" means federal adjusted gross income as defined in
1.9 section 62 of the Internal Revenue Code.

1.10 (c) "Eligible individual" means an individual with one or more qualified education
1.11 loans related to an undergraduate or graduate degree program at a postsecondary
1.12 educational institution.

1.13 (d) "Eligible loan payments" means the amount the eligible individual paid during
1.14 the taxable year to pay principal and interest on qualified education loans.

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

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

1.22 Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the
1.23 tax due under this chapter. The credit equals one-half of eligible loan payments in excess
1.24 of ten percent of adjusted gross income, up to \$1,000.

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

2.3 Subd. 3. **Credit refundable.** If the amount of credit that an eligible individual who
2.4 is a resident or part-year resident of Minnesota is eligible to receive under this section
2.5 exceeds the eligible individual's tax liability under this chapter, the commissioner shall
2.6 refund the excess to the individual. For nonresident taxpayers, the credit may not exceed
2.7 the taxpayer's liability for tax under this chapter.

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

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