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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-SIXTH  
SESSION**

**HOUSE FILE No. 51**

January 12, 2009

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to taxation; individual income; allowing 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. **[290.0678] EDUCATION OPPORTUNITY 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:

1.9 (1) graduated from a postsecondary educational institution located in Minnesota,  
1.10 or from a public postsecondary educational institution located in a state with which a  
1.11 tuition reciprocity agreement under section 136A.08 was in effect when the individual  
1.12 graduated; and

1.13 (2) has a household income under \$75,000. For purposes of this section, household  
1.14 income means income as described in section 290.067, subdivision 2a.

1.15 (c) "Qualified education loan" has the meaning given in section 221 of the Internal  
1.16 Revenue Code, but is limited to indebtedness incurred on behalf of the taxpayer or  
1.17 taxpayer's spouse.

1.18 (d) "Postsecondary educational institution" means a two- or four-year postsecondary  
1.19 educational institution that meets the definition of "eligible educational institution"  
1.20 provided in section 221(d)(2)(B) of the Internal Revenue Code.

1.21 (e) "Maximum qualifying amount" is the allowance for tuition and fees most recently  
1.22 set in law as required under section 136A.121, subdivision 6. For an eligible individual  
1.23 who graduated from a two-year postsecondary educational institution, the maximum  
1.24 qualifying amount equals the allowance for tuition and fees specified for a two-year

2.1 institution, and for an eligible individual who graduated from a four-year postsecondary  
2.2 educational institution, the maximum qualifying amount equals the allowance for tuition  
2.3 and fees specified for a four-year institution.

2.4 Subd. 2. **Credit allowed.** An eligible individual is allowed a credit against the tax  
2.5 due under sections 290.06 and 290.091. The credit equals the lesser of 50 percent of  
2.6 the amount the individual paid during the taxable year to pay principal and interest on  
2.7 qualified education loans, or the maximum qualifying amount.

2.8 Subd. 3. **Credit carryover.** If the credit provided under this section exceeds the tax  
2.9 liability of the eligible individual for the taxable year, the excess amount of the credit may  
2.10 be carried over to each of the ten taxable years succeeding the taxable year. The entire  
2.11 amount of the credit must be carried to the earliest taxable year to which the amount may  
2.12 be carried. The unused portion of the credit must be carried to the following taxable year.  
2.13 No credit may be carried to a taxable year more than ten years after the taxable year  
2.14 in which the credit was earned.

2.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
2.16 December 31, 2008.