

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 4172

(SENATE AUTHORS: DZIEDZIC and Clausen)

DATE
03/21/2022

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
 1.2 relating to education; individual income; modifying eligibility for the student loan
 1.3 credit; making the credit refundable; amending Minnesota Statutes 2021
 1.4 Supplement, section 290.0682.

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

1.6 Section 1. Minnesota Statutes 2021 Supplement, 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 290.0675, subdivision 1, paragraph
 1.13 (b).

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

1.17 (e) "Eligible family member" means a resident individual who is the parent or grandparent
 1.18 of an individual who has one or more qualified loans related to the individual's undergraduate
 1.19 or graduate degree program at a postsecondary educational institution.

1.20 (f) "Eligible loan payments" means the amount the eligible individual or eligible family
 1.21 member paid during the taxable year in principal and interest on qualified education loans.

2.1 ~~(f)~~ (g) "Postsecondary educational institution" means a public or nonprofit postsecondary
 2.2 institution eligible for state student aid under section 136A.103 or, if the institution is not
 2.3 located in this state, a public or nonprofit postsecondary institution participating in the
 2.4 federal Pell Grant program under title IV of the Higher Education Act of 1965, Public Law
 2.5 89-329, as amended.

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

2.8 Subd. 2. **Credit allowed.** (a) An eligible individual or an eligible family member is
 2.9 allowed a credit against the tax due under this chapter. An eligible individual may only
 2.10 claim a credit for eligible loan payments made by the eligible individual, and an eligible
 2.11 family member may only claim a credit for eligible loan payments made by the eligible
 2.12 family member.

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

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

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

2.17 (3) the sum of:

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

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

2.21 (4) ~~\$500~~ \$5,000.

2.22 (c) The credit for an eligible family member equals the amount calculated under paragraph
 2.23 (b), reduced by the following amounts, but in no case less than zero:

2.24 (1) for married couples filing a joint return, the credit is reduced by \$1 for every \$6 of
 2.25 adjusted gross income in excess of \$130,000; and

2.26 (2) for all other filers, the credit is reduced by \$1 for every \$3 of modified adjusted gross
 2.27 income in excess of \$65,000.

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

2.30 ~~(d)~~ (e) In the case of a married couple, each spouse is eligible for the credit in this section.
 2.31 For the purposes of paragraph (b), for married taxpayers filing joint returns, each spouse's

3.1 adjusted gross income equals the spouse's percentage share of the couple's earned income,
3.2 multiplied by the couple's combined adjusted gross income.

3.3 Subd. 3. **Credit refundable.** If the amount of credit that an eligible individual or eligible
3.4 family member is allowed under this section exceeds the tax liability of the eligible individual
3.5 or eligible family member under this chapter, the commissioner shall refund the excess to
3.6 the individual. The amount necessary to pay claims for the refund provided in this subdivision
3.7 is appropriated from the general fund to the commissioner of revenue.

3.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.9 31, 2021.