

March 15, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3776 (Noor) / S.F. 3431 (Dziedzic)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$0	(\$10)	(\$20)	(\$20)

Effective beginning tax year 2022.

EXPLANATION OF THE BILL

Current Law: The Emergency Assistance for Postsecondary Students (EAPS) Grant Program is a program administered by the Minnesota Office of Higher Education (OHE) which provides funds to eligible postsecondary institutions with a demonstrable homeless population. Colleges and universities then distribute grants of up to \$1,000 to qualifying students after an application process administered by the specific institution.

Proposed Law: The bill increases the appropriation for EAPS grants from \$269,000 to \$800,000 beginning in fiscal year 2023 and creates a subtraction to EAPS grant recipients for the portion of an emergency grant that is not used for qualified tuition and related expenses.

REVENUE ANALYSIS DETAIL

- The typical grant amount is assumed to be \$585, the average amount reported in the OHE’s 2020 Emergency Assistance for Postsecondary Students Grant Program Report.
- This estimate assumes only a negligible portion of EAPS grants are used for tuition and related expenses. The most common emergency issues identified by OHE are housing/rent, automobile expenses, groceries, and gas.
- Since data on this population’s taxable income is limited, fiscal impacts were estimated using income data for the population of Pell Grant recipients from the 2017-18 Federal Pell Grant End-of-Year Report. The report groups Pell Grant recipients into 14 income bins based on their (or their family’s) reported annual income. The lowest 7 income bins were used for this estimate, since emergency grant recipients are likely to be on the lower end of the income range.
- For each income bin in the Pell Grant report, an effective subtraction and change in tax liability was estimated for simulated grants and subtractions in the amount of \$585 using a sample of 2019 income tax returns, which was then used to calculate an effective tax rate for each income bin.
- Many recipients have little or no taxable income. The average marginal rate is estimated at 2.8%.
- This analysis assumes grants are distributed throughout the academic year, with each fiscal year’s appropriation allocated between the current and following tax year. Tax year impacts are then allocated to the following fiscal year.

REVENUE ANALYSIS DETAIL (Cont.)

- Currently, institutions may request a maximum of \$43,000 of funding for EAPS grants. This analysis assumes that the Commissioner of the Office of Higher Education will increase the institutional maximum by an amount proportional to the higher appropriation.

Number of Taxpayers: About 838 tax returns would be affected in tax year 2022. The average decrease in tax would be \$16.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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hf3776(sf3431)_1 Student Assistance Grant Subtraction / mcy