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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 4040

03/05/2026 Authored by Bakeberg 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; providing for advance payments of the
1.3 K-12 education credit; requiring a report; amending Minnesota Statutes 2024,
1.4 section 290.0674, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2024, section 290.0674, is amended by adding a subdivision
1.7 to read:

1.8 Subd. 7. Advance payments. (a) A taxpayer may elect to receive an advance payment
1.9 of the education credit under this section. The amount of the advance payment equals half
1.10 the amount of the credit the taxpayer received under this section in the taxable year ending
1.11 in the previous calendar year.

1.12 (b) A taxpayer with a qualifying child who did not receive a tax credit in the taxable
1.13 year ending in the previous calendar year may elect to receive an advance payment of up
1.14 to \$750 for each child of the taxpayer that will be a qualifying child in the taxable year, but
1.15 the taxpayer must certify to the commissioner that the taxpayer is aware that the advance
1.16 payment may increase the taxpayer's liability for tax if the taxpayer has insufficient
1.17 education-related expenses in the taxable year.

1.18 (c) To be eligible for an advance payment under this subdivision, a taxpayer's adjusted
1.19 gross income must have been less than the applicable phaseout threshold for the child credit
1.20 under section 290.0661, subdivision 4, in the taxable year ending in the previous calendar
1.21 year.

1.22 (d) To receive an advance payment under this section, a taxpayer must apply to the
1.23 commissioner in the manner specified by the commissioner no later than September 1. The

2.1 commissioner must not make an advance payment to an eligible taxpayer prior to July or  
2.2 after September 15.

2.3 (e) The amount of a taxpayer's credit under this section for the taxable year is reduced  
2.4 by the amount of advance payments received by the taxpayer in the calendar year during  
2.5 which the taxable year began. If a taxpayer's advance payments exceeded the credit the  
2.6 taxpayer was eligible to receive for the taxable year, the taxpayer's liability for tax is increased  
2.7 by the difference between the amount of advance payments received and the credit amount.

2.8 **EFFECTIVE DATE.** This section is effective for advance payments after December  
2.9 31, 2026.

2.10 **Sec. 2. REPORT ON EDUCATION CREDIT PAYMENTS USING AN**  
2.11 **ELECTRONIC BENEFITS CARD.**

2.12 (a) No later than January 15, 2027, the commissioner of revenue must submit a report  
2.13 to the legislative committees with jurisdiction over taxation on the feasibility of making  
2.14 advance payments under Minnesota Statutes, section 290.0674, subdivision 7, using an  
2.15 electronic benefits transfer card.

2.16 (b) The report must comply with Minnesota Statutes, sections 3.195 and 3.197, and:

2.17 (1) evaluate the feasibility of establishing an electronic benefits transfer card for education  
2.18 expenses;

2.19 (2) estimate the possible cost of establishing an electronic benefits transfer card and a  
2.20 payment processing network; and

2.21 (3) describe the advantages and disadvantages of delivering advance payments of the  
2.22 education credit using an electronic benefits transfer card.