

Subject Minnesota education credit and subtraction modified; internet service allowed as an education-related expense and income thresholds modified

Authors Frazier

Analyst Sean Williams

Date March 15, 2021

Overview

H.F. 1373 makes three changes related to the Minnesota education credit and subtraction:

- The bill adds internet service as an “education-related expense” eligible for the K-12 credit and subtraction.
- The bill increases the limit on the amount of computer hardware, software, and internet expenses that may be used to claim the credit from \$200 to \$300.
- The bill sets the phaseout threshold for the education credit at 185% of the federal poverty line, which is the federal reduced-lunch eligibility limit. Under current law the threshold is \$33,500.

Summary

Section	Description
---------	-------------

1	Eligible expenses.
----------	---------------------------

Allows monthly charges to an internet service provider for internet access to be considered an “education-related expense” for the purposes of the Minnesota education credit and subtraction.

Increases from \$200 to \$300 the maximum amount of computer hardware, software, and internet service that a taxpayer may claim as “education-related expenses.”

Effective for tax year 2020 and later.

2	Credit limitations.
----------	----------------------------

Increases the credit phaseout threshold to equal the reduced-price lunch income eligibility threshold as of July 1 of the taxable year. Under current law the credit is phased out at \$33,500 of household income.

Section **Description**

The reduced price lunch eligibility threshold is 185% of the federal poverty line. For 2021, the poverty guidelines and threshold amounts would be as follows:

Family Size	Federal Poverty Guideline (lower 48 states and DC)	185% of the Federal Poverty Guideline
1	\$12,880	\$23,828
2	\$17,420	\$32,227
3	\$21,960	\$40,626
4	\$31,040	\$57,424
5	\$35,580	\$65,823

Effective for tax year 2021 and later.

3 Refunds for tax year 2020.

Requires DOR to prescribe the form and manner in which a taxpayer may claim a refund for tax year 2020 education-related expenses that are allowed in section 1 of the bill.



Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155