

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1081  
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**Authors:** Gruenhagen and others

**Subject:** Income tax credit for contributions to school angel funds

**Analyst:** Nina Manzi, 651-296-5204  
Lisa Larson, 651-296-8036  
Tim Strom, 651-296-1886

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### Overview

Allows an individual income and corporate franchise tax credit for contributions to school angel funds that help low-income students pay for school meals. The credit is limited to contributions associated with schools that do not participate in the national school lunch program. The credit equals 75 percent of the amount contributed, up to a maximum of \$1,000. Coordinates with other tax provisions relating to charitable contribution to preclude taxpayers from claiming more than one state tax benefit for a single contribution.

#### Section

- 1**      **Individuals; additions to federal taxable income.** Requires an add-back to Minnesota taxable income for individuals equal to the amount of school angel fund credit that was claimed as a federal charitable contribution deduction at the federal level. Federal itemized deductions flow through to the state income tax, resulting in a state tax benefit for charitable contributions claimed at the federal level. This section limits state tax benefits for contributions to school angel funds to the proposed credit, rather than both the credit and the flow-through deduction.
- 2**      **Corporations; additions to federal taxable income.** Requires an add-back to Minnesota taxable income for corporations equal to the amount of school angel fund credit that was claimed as a federal charitable contribution deduction at the federal level, corresponding to the add-back required under section 1.
- 3**      **School angel fund credit.**

## **Section**

**Subd. 1. Definitions.** Defines terms for this section. Key terms are:

“**School angel fund**” is an account designed to provide assistance to children, operated by:

- ▶ a parent-teacher organization;
- ▶ the school itself; or
- ▶ a nonprofit organization establish for the purpose of helping children.

“**School angel food service fund**” means either a school angel fund specifically for the purpose of helping low-income students pay for school meals or an account for that purpose within a school angel fund.

“**Qualifying school**” is a public or nonpublic school that is eligible to participate in the national school lunch program but is not doing so.

**Subd. 2. Credit allowed.** Allows a credit for both individuals and corporations equal to 75 percent of the amount contributed to a school angel food service fund at a qualifying school. The maximum annual credit is \$1,000. Requires claimants to provide a copy of a receipt from a qualified foundation. Allows credits that exceed liability to be carried forward for ten tax years.

**Effective date:** Tax year 2015.