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Authors: Davids and Nornes

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Analyst: Sean Williams, (651) 296-5053
Nina Manzi, (651) 296-5204

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H.F. 19 allows a refundable income tax credit for principal and interest payments on higher education loans. Effective for tax year 2017.

Credit Amount

The credit equals the lesser of the following three numbers.

- (1) Eligible loan payments minus ten percent of an individual's adjusted gross income in excess of \$10,000.
- (2) The earned income of the individual for the taxable year.
- (3) The sum of:
 - The interest portion of eligible loan payments during the taxable year.
 - 10 percent of the original loan amount of all qualified education loans of the individual.

Adjusted gross income is income before federal and state deductions and exemptions. The credit is refundable, with amounts in excess of liability paid to the taxpayer as a refund.

Eligibility

To qualify for the credit, an individual must have one or more qualified education loans. If both the taxpayer and the taxpayer's spouse have qualified loans, each may claim the credit

Qualifying Loans

“Qualified education loan” is any loan used to pay for the costs of attending an undergraduate or graduate degree program at an educational institution eligible for federal financial aid. This includes federal direct and Perkins loans, state loans, and private student loans.

Qualifying Payments

Only payments made by an eligible individual on the individual’s qualified education loans qualify for the credit.