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Overview

Extends the education expense deduction and the education tax credit in Minnesota's individual income tax to prekindergarten educational programs. Current law limits the deduction and credit to education-related expenses for children in grades K-12.

Section

1 **Education expense deduction.** Extends the education expense deduction to prekindergarten educational programs. Uses the same definition of prekindergarten programs as for the credit expansion in section 2.

Allows deduction of up to \$1,625 for each child in a prekindergarten educational program. Coordinates with expenses allowed under the dependent care credit and the K-12 education credit so as not to allow two tax benefits for the same expense.

Effective date: tax year 2017.

Background. Current law limits the education expense deduction to expenses for children in grades K-12 (\$1,625 for each child in grades K-6, and \$2,500 for each child in grades 7-12).

2 **Education credit.** Extends the education tax credit of \$1,000 per child to prekindergarten educational programs. Defines prekindergarten educational programs as;

- ▶ programs established by school districts;
- ▶ licensed and accredited preschools, nursery schools, and early childhood programs;
- ▶ Montessori programs; and
- ▶ child care programs operated by providers with a credential in early childhood development.

Coordinates with expenses allowed under the dependent care credit so as not to allow two tax credits to be claimed for the same expense. The credit would be subject to the same income-based phaseout as the current education tax credit.

Effective date: tax year 2017.

Background. Under current law, the education credit is limited to expenses for children in grades K-12. The maximum credit is \$1,000 per child and is phased out for families with household incomes over \$33,500. The credit is fully phased out when income reaches \$37,500 for families with one or two children, and the maximum income increases by \$2,000 for each additional child. Household income is a broad measure of income that includes most taxable and nontaxable income.