

File Number: H.F.1869
Version: As introduced

Date: March 6, 2017

Authors: Jessup

Subject: Income tax credit and deduction for contributions to section 529 college savings plans

Analyst: Nina Manzi, 651-206-5204
Sean Williams, 651-296-5053

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

H.F. 1869 provides taxpayers with an individual income tax credit and a tax deduction for certain contributions to a section 529 college savings plan. Contributions to any state's section 529 college savings plan are eligible for the credit and deduction. A taxpayer may claim either the credit or the deduction, but not both.

Section

- 1 Contributions to 529 plans.** Allows a taxpayer to deduct up to \$1,500 (\$3,000 for married joint filers) of contributions to any state's section 529 college savings plan or prepaid tuition plan for purposes of computing the Minnesota individual income tax. The subtraction excludes amounts that are rolled-over from other college savings plans. The subtraction is limited to taxpayers who do not claim the credit established in section 2 of the bill.
- 2 Section 529 college savings plan credit.** Allows a refundable income tax credit for contributions to any state's section 529 college savings plan, including prepaid tuition plans. The maximum credit is \$500; the credit rate varies by federal adjusted gross income (AGI), with the income ranges adjusted annually for inflation.

The credit equals 50 percent of contributions for incomes up to \$80,000. Married couples filing joint returns and AGI from \$80,000 to \$160,000 may claim the credit at reduced rates, as shown in the table. No credit is allowed for single, head of household, and married

Section

separate filers with incomes over \$80,000, or for married joint filers with incomes over \$160,000.

Income range (AGI)	Credit rate	Contribution necessary to claim maximum \$500 credit
<i>All filers</i>		
Up to \$80,000	50%	\$1,000
<i>Married joint filers only</i>		
\$80,001 to \$100,000	25%	\$2,000
\$100,001 to \$120,000	10%	\$5,000
\$120,001 to \$160,000	5%	\$10,000

Imposes a penalty on individuals who claimed credits under this section if the beneficiary of an account uses a distribution for other than higher education expenses (e.g., tuition, fees, books, or the student's living expenses).

The penalty equals the lesser of:

- ten percent of the nonqualified distribution; or
- the total amount of credits the individual claimed under this section.