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Subject: K-12 education deduction and credit increased, and adjusted for inflation; credit extended to tuition

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Overview

Increases the maximum K-12 education deduction from \$1,625 to \$2,600 for each child in grades K-6, and from \$2,500 to \$3,900 for each child in grades 7-12, effective in tax year 2017.

Extends the K-12 education credit to nonpublic school tuition, increases the maximum credit from \$1,000 to \$1,500 per child, increases the income at which the credit begins to phase out from \$33,500 to \$50,000, and decreases the rate of the phaseout, effective in tax year 2017.

Adjusts the maximum deduction, maximum credit, and the income level at which the credit begins to phase out annually for inflation, beginning in tax year 2018.

Background. Under current law, the education credit is not allowed for nonpublic school tuition. The credit 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. The credit amount and income level at which the credit begins to phase out are not adjusted for inflation, nor are the maximum K-12 education expenses deduction amounts.

Section

- 1** **K-12 education deduction.** Increases the maximum K-12 education expense deduction from \$1,625 to \$2,600 for each child in grades K-6, and from \$2,600 to \$3,900 for each child in grades 7-12, effective in tax year 2017. Defines expenses eligible for the deduction by reference to the list of qualifying expenses for the K-12 credit, which section 2 expands to include nonpublic school tuition. Provides for the maximum deduction amounts to be adjusted annually for inflation, beginning in tax year 2018.
- 2** **K-12 education credit; qualifying expenses.** Expands the list of expenses that qualify for the K-12 education credit to include nonpublic school tuition. Under current law nonpublic school tuition is allowed under the K-12 education expense deduction, but not the credit.
Effective date: tax year 2017.
- 3** **K-12 education credit; amount and phaseout.** Increases the maximum K-12 education expense credit from \$1,000 to \$1,500 per child. Increases the income at which the credit begins to phase out from \$33,500 to \$50,000 and decreases the rate of phaseout so that the credit would be fully phased out when income reaches \$59,000 for families with one or two children and would extend by an additional \$4,500 for each additional child.
Effective date: tax year 2017.
- 4** **Inflation adjustment.** Provides for the maximum K-12 education credit and the income threshold at which the credit begins to phase out to be adjusted annually for inflation, beginning in tax year 2018.