

**Subject** Minnesota education credit: income measure switched to adjusted gross income, phaseout threshold increased and indexed for inflation, and maximum credit increased

**Authors** Norris and others

**Analyst** Sean Williams

**Date** January 27, 2023

## Overview

The bill makes four substantive changes to the Minnesota education credit:

- 1) Increases the income-based phaseout threshold from \$33,500 to \$70,000.
- 2) Increases the maximum credit from \$1,000 to \$1,500.
- 3) Indexes the income-based phaseout threshold for inflation.
- 4) Changes the income measure used to calculate the credit to adjusted gross income (under current law the credit is phased out based on household income, which is a broader measure of income that requires taxpayers to add back certain deductions and nontaxable income).

The bill also makes nonsubstantive technical changes to the definitions section.

## Summary

Section	Description
---------	-------------

- |   |  |
|---|--|
| 1 | <b>Credit allowed; definitions.</b><br>Makes technical changes to the definitions section. Provides definitions for the instructional fees and tuition eligible for the credit. Defines “qualified instructor” for the purposes of eligible instruction and fees. These changes do not change the meaning of the existing definitions. |
| 2 | <b>Limitations.</b><br>Increases the income-based phaseout from \$35,000 of household income to \$70,000. Switches the income measure used for the credit from household income to adjusted gross income. Increases the maximum credit from \$1,000 to \$1,500.  |

Section	Description
3	<b>Inflation adjustments.</b> Requires the Department of Revenue to annually increase the phaseout threshold based on changes in Chained CPI-U.
4	<b>Repealer.</b> Repeals the definition of “income” for the credit, which is obsolete because the bill moves the credit to using adjusted gross income.



**MN HOUSE  
RESEARCH**

*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*

[www.house.mn/hrd](http://www.house.mn/hrd) | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155