

**Subject** Student loan credit increased; credit made refundable

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## Summary

Under current law, Minnesota allows a nonrefundable credit for student loan payments. The credit equals the amount of loan payments made in the taxable year, minus ten percent of adjusted gross income above \$10,000. The credit is also subject to certain limits—the amount of earned income in the taxable year, and the sum of interest payments plus ten percent of the loan’s principal. The credit is also limited to \$500 per individual (for married couples, each spouse may claim a \$500 credit).

H.F. 1933 increases the maximum credit to \$1,000. The bill also makes the credit refundable, meaning a taxpayer who is eligible for a credit that is larger than the taxpayer’s income tax liability could receive the full amount of the credit as a refund.