

K-12 Education Subtraction

Minnesota allows a state income tax subtraction (deduction) for K-12 education-related expenses. The subtraction allows up to \$2,500 to be subtracted for each dependent in grades 7-12 and up to \$1,625 for each dependent in grades K-6. In tax year 2023, 112,500 returns claimed the subtraction. The statewide tax reduction was \$13.07 million. The average tax reduction was \$107.¹

K-12 Education Credit

Minnesota allows income taxpayers to claim a refundable tax credit equal to 75 percent of certain K-12 education-related expenses. The credit is capped at \$1,500 for each child in grades K-12. For taxpayers with two or more qualifying children, the \$1,500 per child maximum is a family limit. In tax year 2023, there were 38,000 returns that claimed the credit. Totals credits claimed were \$17.21 million. The average credit was \$453.

In tax year 2026, the credit will begin to phase out when income exceeds \$77,550. Depending on the number of children, the credit is reduced by either 25 percent or 50 percent of adjusted gross income above that amount. For families claiming the credit for one or two children, it is fully phased out when income reaches \$83,550. The phaseout extends for an additional \$3,000 of income for each additional child claimed.

Eligible Expenses

Nonpublic school tuition is an eligible expense **for the subtraction only**. Otherwise, the expenses eligible for the subtraction and credit are the same. Those expenses [are listed on the DOR website](#) and include:

- after-school enrichment, academic summer camps, music lessons taught by qualifying instructors, and tutoring;
- textbooks and instructional materials;
- transportation costs (paid to others for transporting children to school); and
- school supplies, musical instrument rental and purchase, and up to \$200 of computer hardware and educational software.

Tax Benefits of the Subtraction and Credit

The subtraction reduces an individual's taxable income. The tax benefit of the subtraction depends on the taxpayer's marginal tax rate and the amount deducted. A taxpayer with a marginal rate of 5.35 percent who claims a \$2,500 subtraction will pay \$133.75 less in state income taxes (5.35% x \$2,500). A taxpayer in the 9.85 percent bracket with the same deduction will pay \$246.25 less in taxes. A taxpayer who earns too little to have a tax liability will not benefit. The credit directly reduces tax liability and is fully refundable. If an individual's credit exceeds his or her liability, the excess is paid as a refund.

¹ All estimates of the credit and subtraction in this publication were modeled by House Research using a sample of tax year 2023 returns using the House Income Tax Simulation (HITS) model, version 7.6.

Incidence of the K-12 Credit and Subtraction

The tables below show the distribution of the K-12 credit and subtraction by income. The credit is more generous, but is phased out based on income. As a result, lower-income taxpayers tend to claim the credit, and middle- and upper-income taxpayers phased out of the credit tend claim the subtraction.

K-12 Education Credit Distribution by Income, Tax Year 2023

Adjusted Gross Income	Returns Benefiting	% of Returns Benefiting	Total Credits (\$1,000)	Share of Total Benefits	Average Tax Savings
Less than \$10,000	<20	0.1%	765	4.4%	\$405
\$10,000 to \$30,000	8,800	0.3%	4,441	25.8%	\$502
\$30,000 to \$50,000	14,000	0.5%	5,293	30.8%	\$379
\$50,000 to \$75,000	14,400	0.5%	6,477	37.6%	\$448
\$75,000 to \$100,000	800	0.0%	235	1.4%	\$313
\$100,000 to \$125,000	0	0.0%	0	0.0%	\$0
\$125,000 to \$150,000	0	0.0%	0	0.0%	\$0
\$150,000 to \$250,000	0	0.0%	0	0.0%	\$0
\$250,000 and above	0	0.0%	0	0.0%	\$0
Total	38,000	1.33%	17,210	100%	\$453

K-12 Education Subtraction Distribution by Income, Tax Year 2023

Adjusted Gross Income	Returns Benefiting	% of Returns Benefiting	Total Tax Benefit (\$1,000)	Share of Total Benefit	Average Tax Savings
Less than \$10,000	<20	0.0%	<10	0.0%	—
\$10,000 to \$30,000	900	0.2%	40	0.3%	\$43
\$30,000 to \$50,000	5,600	1.1%	201	1.5%	\$36
\$50,000 to \$75,000	8,700	1.8%	451	3.5%	\$52
\$75,000 to \$100,000	18,500	5.7%	1,133	8.7%	\$61
\$100,000 to \$125,000	15,300	6.7%	1,424	10.9%	\$93
\$125,000 to \$150,000	17,100	10.5%	1,598	12.2%	\$93
\$150,000 to \$250,000	32,700	10.5%	3,387	25.9%	\$104
\$250,000 and above	23,700	12.5%	4,833	37.0%	\$204
Total	122,500	4.14%	\$13,070	100%	\$107



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