

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1054

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Version: As introduced, with author's amendment H1054A2

Authors: Knoblach and others

Subject: Extends K-12 education income tax credit to tuition, eliminates the family cap, and modifies the credit phaseout

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Overview

Allows the income tax credit for K-12 education expenses for nonpublic school tuition; removes the \$2,000 per family limit on the K-12 education credit, instead allowing taxpayers to claim up to \$1,000 of credit for each child in grades K-12; allows taxpayers to allocate the credit among qualifying children at their discretion; and increases the income level at which the credit begins to phase out from \$33,500 regardless of family size to 185 percent of the federal poverty guideline, adjusted for family size.

Section

- 1 K-12 credit; qualifying expenses.** Adds nonpublic school tuition to the expenses that qualify for the K-12 education credit. Under current law the credit is allowed for expenditures on textbooks, instructional materials and supplies, musical instrument rental and purchase, transportation expenses paid to others, tutoring, academic summer camps, music lessons, after school enrichment programs, and up to \$200 of computer hardware and educational software.
- 2 K-12 education credit; maximum credit and phaseout.** Removes the \$2,000 per family limit for the K-12 education credit. The maximum credit per family would be \$1,000, times the number of children in grades K-12. Taxpayers would be able to distribute the maximum per family among children at their discretion. Also changes the starting point for the credit

Section

phaseout from \$33,500 to the greater of \$33,500 or 185 percent of the federal poverty guideline, adjusted by family size. For 2005, 185 percent of the federal poverty guideline is at:

- ▶ \$23,736 for a family of two
- ▶ \$29,767 for a family of three
- ▶ \$35,798 for a family of four

and increases by \$6,031 for each additional family member.

Under current law, the K-12 education credit equals 75 percent of qualifying expenses, up to a maximum of \$1,000 per child and \$2,000 per family. The credit begins to phase out when household income reaches \$33,500, and is not available to families with income over \$37,500. For families claiming the credit for one child, the credit phases out at a rate of \$1 for each \$4 of income over \$33,500, and for families claiming the credit for two or more children, the phaseout rate is \$2 for each \$4 of income over \$33,500.