



## Section

school tuition organization credit. The charitable contribution subtraction equals 50 percent of contributions in excess of \$500. This section limits state tax benefits for school tuition organization contributions to the proposed credit, rather than both the credit and the existing nonitemizer subtraction.

### **3 Credit for contributions to scholarship granting organizations.**

**Subd. 1. Definitions.** (a) Defines terms for this section.

(b) "**School tuition organization**" or "**STO**" means a tax exempt charitable organization that is registered with the state attorney general's office and is certified by the education commissioner as meeting the paragraph's criteria, including:

- ▶ must award at least 85 percent of annual revenues as education scholarships, of which not more than 25 percent may be awarded to students enrolled in a nonpublic school of the time they first apply for a scholarship;
- ▶ must limit scholarships to students from families with incomes less than 75 percent of the statewide median adjusted for family size;
- ▶ must not restrict scholarships to one school; and
- ▶ may not charge a fee to prospective scholarship recipients.

Requires the commissioner of education to maintain a list of STOs.

(c) "**Statewide median family income**" is as determined by the commissioner of education. If the commissioner were to determine the median using data reported by the U.S. Department of Health and Human Services, the 2002 median for a family of four in Minnesota was \$72,379; 75 percent of the median was \$54,284. This is the most recent year for which data has been published in the federal register.

(d) "**Liability for tax**" means individual and corporate tax after nonrefundable credits.

(e) "**Qualified school**" means a school in which a Minnesota resident may fulfill the state's compulsory attendance laws, and which is not operated for a profit.

**Subd. 2. Credit allowed.** Allows a credit equal to 50 percent of the amount contributed to a school tuition organization, up to a maximum credit of \$1,000. Prohibits the credit if contributions were designated for the use of a specific student.

**Subd. 3. Nonresidents and part-year residents.** Requires nonresidents and part-year residents to apportion the credit by the ratio of their Minnesota source income to their total income.

Makes this section effective beginning in tax year 2006.