

MAKING THE K-12 EDUCATION EXPENSE CREDIT MORE ACCESSIBLE FOR FAMILIES



Bill #:

SF 560, HF 578

Senate Authors:

Sens. Eichorn, Wiger, P. Anderson, Chamberlain, and Dziejic

House Authors:

Reps. Lien, Brand, Davids, Bennett, Pryor, Youakim, Huot, Becker-Finn, Daniels, Lippert, Kresha, Bierman, Robbins, and Baker

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The K-12 Education Expense Credit (the “Credit”) provides low-income families in Minnesota with valuable access to afterschool programs like tutoring and music lessons, but the income guidelines haven’t kept up with changing times.

What is the current problem?

The household income limit of \$33,500 to receive the maximum Credit has not increased since the Credit was enacted in 1997. The maximum Credit also fails to account for household size. Several other aspects of administering the Credit and associated loan and assignment process make it cumbersome for low-income families to utilize the Credit and reduce participation. The number of tax returns claiming the credit has dropped nearly 20% since its high in 2004.

What is the solution?

- Benchmark the income limit for receiving the maximum Credit to the eligibility limit for the free and reduced-priced lunch program
- Use the free and reduced-priced lunch program’s definition of “household income”

Benefits of the Proposed Legislation

Adjusts the income limit to serve the families it was originally designed to serve

A household income of \$33,500 in 1997 is approximately \$52,500 in today's dollars. This bill will adjust the income limit so the bill serves the families the Credit was designed to serve when it was enacted.

Factors in family size and inflation

Using the income limit for free and reduced-priced lunch allows the limit for the maximum Credit to account easily for household size and adjust for inflation in the future. This also prevents the Legislature from having to make future periodic updates.

Makes it easier for families to determine eligibility

Currently, families have to review a 1.5-page definition of "household income" to determine whether they qualify for the Credit. In contrast, most families already know whether they qualify for free and reduced-priced lunch.



Eligibility Limit for Maximum Credit by Family Size

	1 Child	2 Children	3 Children	4 Children	5 Children
Current Law	\$33,500	\$33,500	\$33,500	\$33,500	\$33,500
Proposed Bill	\$38,443	\$46,435	\$54,427	\$62,419	\$70,411

* Based on two parent household

Brief History of the Credit

- > The Credit was enacted by the Legislature in 1997 with a household income limit of \$33,500 to receive the maximum Credit.
- > In 1999, a phase out between \$33,500 and \$37,500 was created, but it didn't factor in household size.
- > The amount of the Credit was reduced from 100% to 75% of eligible expenses in 2001.
- > In 2001, the Legislature created an assignment process to allow financial institutions and nonprofits to loan the Credit amount to families in exchange for an assignment of that portion of the family's tax refund.
- > Starting in 2003, activity providers who are paid through the loan and assignment process needed to be certified by the Department of Education.
- > The current phase out calculation was instituted in 2005.



About Minnesota Afterschool Advance

Minnesota Afterschool Advance (MAA) helps Minnesota families utilize the Credit to pay for educational, fine arts, and performing arts afterschool programs. Thanks to the generosity of donors, MAA makes no-interest, no-fee loans to families allowing the families to pay for the activities up front with the loan being repaid when the family receives the Credit in their tax refund. MAA is a collaboration between Youthprise and Venn Foundation.

Learn more about MAA at www.mnafterschool.org.