Overview

Provides a nonrefundable income tax credit of the first $1,000 of post-secondary tuition and fees for up to two years for each student. The credit is subject to an income-based phaseout.

1 Minnesota higher education credit.

Subd. 1. Definitions. Defines "qualifying higher education expenses" as tuition and fees for the student's first and second year of post-secondary education, net of any refunds of tuition and fees received from the institution and net of employer reimbursement. Also subtracts federal HOPE and Lifetime Learning Credits from qualifying expenses.

 Defines "eligible student" to mean a Minnesota resident who enrolls in a Minnesota post-secondary institution on at least a half-time basis. The taxpayer must either be an eligible student or claim the eligible student as a dependent in order to claim the income tax credit.

 Defines "eligible institution" as a public community/technical college, a state university, a private nonprofit 2 or 4 year college, or the University of Minnesota.

 Defines "income" to mean federal adjusted gross income.

Subd. 2. Credit allowed. Allows a nonrefundable income tax credit of 100 percent of qualifying higher education expenses, up to $1,000, for each eligible student. The credit is subject to an income-based phaseout that starts at $80,000 and ends at $100,000 for married joint filers, and that starts at $40,000 and ends at $50,000 for all other filers. This is the same income phaseout applied to the federal Hope scholarship credit. Specifies that the credit is only allowed for two tax years for each eligible student.

Subd. 3. Inflation adjustment. Adjusts both the maximum credit and the income at which the phaseout starts for inflation, beginning in tax year 2002. This delayed inflation adjustment matches the inflation adjustment in place for the federal Hope credit.

2 Effective date. Effective beginning in tax year 1999, with inflation adjustments beginning in tax
year 2002.