

Subject Minnesota education credit and subtraction modified; internet service allowed as an education-related expense and income thresholds modified

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Date March 15, 2021

Overview

H.F. 1373 makes three changes related to the Minnesota education credit and subtraction:

- The bill adds internet service as an “education-related expense” eligible for the K-12 credit and subtraction.
- The bill increases the limit on the amount of computer hardware, software, and internet expenses that may be used to claim the credit from \$200 to \$300.
- The bill sets the phaseout threshold for the education credit at 185% of the federal poverty line, which is the federal reduced-lunch eligibility limit. Under current law the threshold is \$33,500.

Summary

| Section | Description |
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| 1 | Eligible expenses. |
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Allows monthly charges to an internet service provider for internet access to be considered an “education-related expense” for the purposes of the Minnesota education credit and subtraction.

Increases from \$200 to \$300 the maximum amount of computer hardware, software, and internet service that a taxpayer may claim as “education-related expenses.”

Effective for tax year 2020 and later.

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| 2 | Credit limitations. |
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Increases the credit phaseout threshold to equal the reduced-price lunch income eligibility threshold as of July 1 of the taxable year. Under current law the credit is phased out at \$33,500 of household income.

Section **Description**

The reduced price lunch eligibility threshold is 185% of the federal poverty line. For 2021, the poverty guidelines and threshold amounts would be as follows:

| Family Size | Federal Poverty Guideline (lower 48 states and DC) | 185% of the Federal Poverty Guideline |
|--------------------|---|--|
| 1 | \$12,880 | \$23,828 |
| 2 | \$17,420 | \$32,227 |
| 3 | \$21,960 | \$40,626 |
| 4 | \$31,040 | \$57,424 |
| 5 | \$35,580 | \$65,823 |

Effective for tax year 2021 and later.

3 Refunds for tax year 2020.

Requires DOR to prescribe the form and manner in which a taxpayer may claim a refund for tax year 2020 education-related expenses that are allowed in section 1 of the bill.



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