

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Scholarship Fund Credit

March 19, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 610 (Carlson) / S.F. 526 (Dziedzic)

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
			(000's)	
General Fund*	\$0	(\$20,000)	(\$20,000)	\$0

*The bill also includes appropriations to the Commissioner of Revenue for administering the credit program. The amount of the appropriations is left blank.

Effective for tax years 2014 and 2015.

EXPLANATION OF THE BILL

The bill would allow an individual to claim a credit against the individual income tax for contributions to fund merit based scholarships at a Minnesota college or university. The credit for an individual could not exceed 50% of the amount contributed.

A participating institution could assign credits to individuals who made contributions to fund merit-based scholarships at that institution. To be eligible to participate, the institution must be a two- or four-year public or private nonprofit degree-granting college or university located in Minnesota.

The Commissioner of Revenue must allocate \$20 million in credit certificates to participating institutions of higher education each year in tax years 2014 and 2015. Any portion of the allocated amount that is not assigned to a taxpayer is carried over into subsequent years. If the amount of a credit awarded to a taxpayer exceeds tax liability, the excess may be carried over ten years.

REVENUE ANALYSIS DETAIL

- Data from the Council for Aid to Education (CAE), a nonprofit organization that tracks donations to colleges and universities, is the basis for this analysis.
- In 2011, charitable contributions to colleges and universities totaled \$30.3 billion, according to CAE.
- Contributions to the University of Minnesota equaled \$273 million. The remainder was apportioned to Minnesota at 1.9%, based on Minnesota's student enrollment. Total contributions were estimated at \$692 million.
- About 44% (\$304 million) of total contributions came from individuals, according to CAE.

- It is unknown what portion of those contributions is currently designated for student scholarships. However, if more than 13% of individual contributions were designated for a student scholarship fund, the credits claimed would exhaust the annual maximum of \$20 million.
- It is assumed that the incentive provided by the credit would result in full use of the allocation.
- The credit would be in addition to the itemized deduction provided for charitable contributions, so there is no offsetting reduction in charitable contribution deductions.
- The impact for each tax year was allocated to the following fiscal year.

Number of Taxpayers: Unknown

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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