

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Reading Credits

March 25, 2014

Preliminary Analysis

Department of Revenue
Analysis of S.F. 2453 (Kiffmeyer)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
		(000's)		
Reading Credit	\$0	(\$2,600)	(\$2,600)	(\$2,600)
Reading Educator Credit	<u>\$0</u>	<u>(\$2,200)</u>	<u>(\$2,200)</u>	<u>(\$2,200)</u>
General Fund Total	\$0	(\$4,800)	(\$4,800)	(\$4,800)

Effective beginning with tax year 2014. The reading credit expires after tax year 2016.

EXPLANATION OF THE BILL

Current Law: A taxpayer may claim a refundable credit against the individual income tax equal to 75% of eligible education expenses for a qualifying child in kindergarten through 12th grade. Eligible expenses include fees or tuition for instruction outside the regular school day or school year, textbooks and instructional materials, transportation costs, and up to \$200 per family for computer hardware or educational software.

The maximum credit is \$1,000 per qualifying child. For taxpayers with one or two children, the maximum credit is phased out for taxpayers with household income between \$33,500 and \$37,500. For taxpayers with more than two children, the phase-out range is increased by \$2,000 for each additional child. These thresholds are not adjusted for inflation.

Proposed Law:

Reading credit: The bill creates a refundable reading credit equal to 75% of actual unreimbursed expenses for treatment of dyslexia or other reading disorder, disability or difficulty that impairs a qualifying child to read at an expected age level. The bill specifies criteria that the treatment must meet to qualify for the credit. The maximum credit is \$2,000. The credit is not subject to any income limits. Any expenses used to claim the reading credit may not be used for the K-12 education credit.

Reading educator credit: A teacher may claim a refundable credit equal to 75% of the amount paid for training in the diagnosis and treatment of dyslexia. The individual claiming the credit must be a Minnesota licensed teacher and the training must meet specified criteria. The maximum credit is \$1,000. The credit is not subject to income limits.

REVENUE ANALYSIS DETAIL

- At least 15% of people show symptoms of dyslexia, according to the International Dyslexia Association. That percentage was used in this estimate.
- There were about 899,000 children enrolled in K-12 schools in Minnesota for the 2011-12 school year, according to the Minnesota Department of Education. If 15% have dyslexia, there are 135,000 school-age children with dyslexia in Minnesota.
- However, only 10% of those with symptoms are likely to get treatment for dyslexia, according to information from the University of Michigan. In any given year it is assumed that 3% of school-age children would receive treatment.
- Information on the cost of dyslexia treatment is not immediately available. For taxpayers currently claiming the K-12 education credit for tutoring or academic class fees, the average expenses were \$800. Since dyslexia requires specialized training to treat, the treatment costs would likely be higher than typical tutoring. Moreover, the K-12 credit is income limited while the reading credit is not, and higher income families might spend more on those services. It is assumed that the average cost of treatment would be \$1,200, for an average credit of \$900.
- Any expenses used to claim the reading credit could not also be used to claim the K-12 education credit. About 9,000 taxpayers claimed the K-12 credit for tutoring or academic class fees in 2011. The average credit for those expenses was \$600. It is assumed that 20% of those expenses (about \$1.1 million) was related to dyslexia or reading difficulties.
- The projected growth rate for the school age population was used as a growth factor for the reading credit.
- The reading educator credit would be available only to Minnesota licensed teachers. There were about 67,000 licensed teachers and staff with a teacher's license at public and nonpublic schools in the 2012-13 school year, including about 1,700 newly-certified teachers, according to data from the Minnesota Department of Education.
- It is unknown what percent of those would seek training that would qualify for the credit. It is assumed that most experienced teachers who work with dyslexic children are already trained and that the primary beneficiaries would be newly certified teachers. It is assumed that 3% of current teachers and 10% of newly-certified teachers would claim the credit each year at the maximum credit of \$1,000.
- The average annual growth in the number of certified teachers was used as a growth factor for the reading educator credit.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 6,200 in tax year 2014.

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)