

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Tutoring Credit; Caregiver Credit

April 1, 2014

Department of Revenue
Analysis of S.F. 2928 (Rest)

	Yes	No
DOR Administrative Costs/Savings	X	

	<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)	
Tutoring Expenses Credit	\$0	(\$3,200)	(\$3,200)	(\$3,200)
Home Caregiver Credit	\$0	(\$62,800)	(\$73,100)	(\$84,100)
General Fund Total	\$0	(\$66,000)	(\$76,300)	(\$87,300)

The credits are effective beginning with tax year 2014.
Effective January 1, 2015, for certification requirements by county long-term care consultation teams.

EXPLANATION OF THE BILL

Tutoring Expenses Credit.

The bill would create a refundable income tax credit equal to 75% of the unreimbursed amount for tutoring expenses paid by a parent or guardian of a K-12 student who has an individualized education program (IEP) under M.S. 125A.08. An IEP is an educational plan for a child with a disability that describes any accommodations to be made and sets measurable goals for the student's education. To be eligible for the credit, the taxpayer must have claimed the student as a dependent for all or part of the tax year.

The maximum credit is \$2,000 per family. The credit is phased out beginning at 300% of the federal poverty guidelines (\$71,550 for a family of four in 2014). The credit is reduced by \$100 for every \$1,000 of income over that amount. The expenses used for this credit cannot also be used for the current K-12 education credit.

Home Caregiver Credit.

The bill also creates a refundable income tax credit for individuals who provide in-home personal care assistant services to a qualifying relative who would otherwise be eligible for a nursing home or other long-term care facility.

For a caregiver to be eligible for a credit, the county's long-term care consultation team must certify that personal care assistance is needed and provided on a daily basis, that the care is appropriate for the recipient's needs and likely to delay or avoid transferring the person to an out-of-home placement. That requirement takes effect January 1, 2015.

The credit is equal to \$200 for each month during the year that the individual is a caregiver, up to \$2,400 per year. That amount is reduced to \$100 for any month in which the service recipient receives more than four hours per day, on average, of government-funded home care services.

EXPLANATION OF THE BILL (Cont.)

The credit is phased out for household income of more than 300% of the federal poverty guideline guidelines (\$71,550 for a family of four in 2014). The credit is reduced by \$100 for every \$1,000 of income over that amount.

REVENUE ANALYSIS DETAIL

Tutoring Expenses Credit

- About 127,000 students have individual education programs (IEPs) in the 2013-2014 school year, according to data from the Minnesota Department of Education.
- It is estimated that 11% of those students receive outside tutoring, based on data from the National Center for Special Education Research.
- Since tutoring expenses are eligible for the K-12 education credit, the primary beneficiaries would be those who are ineligible for that credit because of the income limit or taxpayers claiming the maximum K-12 education credit who still have remaining eligible expenses that could be applied to the proposed credit.
- About 16% of taxpayers with children have incomes above the threshold for the K-12 education credit but below 300% of the poverty guideline, based on data from the Department of Revenue's 2010 tax incidence database.
- Applying that percentage to the number of students with IEPs, it is estimated that about 2,200 taxpayers would qualify for the full credit.
- An additional 13% of taxpayers have household income above 300% of the poverty guideline and would qualify for a reduced credit.
- For taxpayers currently claiming the K-12 education credit for tutoring or academic class fees, the average expenses were \$800.
- Since children with disabilities might require more specialized tutoring and because higher income families might be more likely to spend more on tutoring, the average expenses for this credit were assumed to be \$1,200, for an average credit of \$900.
- Those taxpayers who would receive a reduced credit because of the income limit are expected to receive 55% of that amount, or about \$500 on average.
- There may be some taxpayers who are currently claiming the maximum K-12 education credit but who have additional expenses that would qualify for the proposed credit. The estimate was increased by 10% to account for those taxpayers.
- The projected growth rate for the school age population was used as a growth factor for the credit.

REVENUE ANALYSIS DETAIL (Cont.)

Home Caregiver Credit

- This estimate relies on data from the National Association of Caregiving (NAC) and the AARP Public Policy Institute. In 2009 there were about 679,000 unpaid caregivers in Minnesota, according to the AARP. That number was assumed to grow by 3% annually, based on the projected rate of population growth for Minnesotans age 65 and older.
- According to the NAC, about 32% of caregivers experience a high burden of care, providing care for 47 hours a week and assisting with more than three activities of daily living (ADLs) and five instrumental activities of daily living (IADLs). It was assumed that all of those caregivers with a high burden of care would qualify for the credit.
- About 86% of caregivers are caring for an immediate relative, according to the survey.
- About 50% of households have incomes less than three times the poverty guideline. An additional 18% have incomes in the phase-out range and would qualify for a reduced credit of 55% on average.
- From the NAC survey, 8% of care recipients live in assisted living facilities and would not be eligible for the credit.
- About 70% of survey respondents reported receiving no help from a paid nurse or aide.
- The estimate was reduced by 30% to account for multiple care givers sharing the burden of caregiving.
- The estimate was reduced by 30% to account for caregivers who would not complete the training requirement.
- The average credit was reduced by 20% to \$1,920 to account for individuals who receive government funded assistance and for caregivers who do not provide care for a full year.
- The projected rate of population growth for Minnesotans age 65 and older was used as a growth factor.
- Implementation was assumed to be 80% in the first year, 90% in the second year, and 100% in subsequent years.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 4,000 taxpayers are expected to claim the tutoring credit and 32,700 are expected to claim the caregiver credit 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)