INDIVIDUAL INCOME TAX
Refundable Student Loan Credit

February 4, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 502 (Becker-Finn)

Fund Impact

	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
		(000's)		
General Fund	($3,900)	($4,000)	($4,100)	($4,200)

Effective beginning with tax year 2019.

EXPLANATION OF THE BILL

Current Law: A nonrefundable income tax credit is allowed for individuals with qualified education loans related to an undergraduate or graduate degree program at a public or nonprofit institution. The credit is equal to the least of:

- Eligible education loan payments of principal and interest made during the tax year minus 10% of adjusted gross income over $10,000;
- The earned income of the taxpayer;
- The interest portion of eligible loan payments made during the tax year plus 10% of the original loan amount of all qualified education loans; or
- $500.

For married joint filers, each spouse is eligible for the credit. The credit is allocated to part-year residents based on the percentage of their income that is attributable to Minnesota. Full-year nonresidents are not eligible for the credit.

Proposed Law: The bill would make the credit refundable.

REVENUE ANALYSIS DETAIL

- The estimate is based on information from 2017 income tax returns.
- In tax year 2017, student loan credits totaled $22.5 million on 50,500 returns.
- Making the credit refundable would increase the credit for 12,100 returns. The average increase would be $305.
- The credit is expected to grow at 2.7% a year, based on the 5-year average growth in the number of student loan interest deductions from tax year 2012-2016.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 12,100 returns in 2019.

hf0502_1 / ct cw