

March 4, 2020

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3460 (Davids) / S.F. 3565 (Miller)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
			(000's)	
General Fund	\$0	(\$13,300)	(\$13,700)	(\$14,200)

Effective for tax year beginning with 2020.

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.

Proposed Law: The bill proposes to increase the maximum credit from \$500 to \$1,000.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.9) was used to estimate for taxpayers who are currently claiming the credit. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2020. The model uses a stratified random sample of tax year 2017 individual income tax returns compiled by the Minnesota Department of Revenue.
- Of the 48,600 returns claiming the credit in 2017, about 38,000 are currently receiving the maximum credit.
- A growth rate of 3.4% is assumed, based on growth in the federal student loan deduction.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 32,400 returns would receive an average increased credit of \$409 in tax year 2020.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>