

March 7, 2024

Revised to Correct FY 2027 Heading

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2583 (Rest) As Proposed to be Amended (SCS2583A-1)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
		(000’s)		
General Fund	\$0	(\$500)	(\$600)	(\$600)

Effective beginning tax year 2024.

EXPLANATION OF THE BILL

Current Law: Qualifying Minnesota teachers may claim a nonrefundable tax credit in the year that they complete a master’s degree program. The credit equals the amount the taxpayer paid for tuition, fees, books, and instructional materials for the master’s degree program for which they did not receive reimbursement from an employer or scholarship, up to a maximum of \$2,500.

To qualify, a teacher must hold a license issued by the Minnesota Department of Education (MDE) when they begin the master’s degree program and when they complete the program, the program must have begun after June 30, 2017, and the program must be in a “core content area,” which includes the subjects of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. Finally, the program must not include pedagogy or a pedagogy component as curriculum.

Proposed Law: The bill would expand the master’s degree credit to include a master’s degree program in special education. Special education includes programs of study in developmental disabilities, early childhood special education, emotional or behavioral disorders, autism spectrum disorders, and learning disabilities. Qualifying special education programs would not be subject to the restriction on pedagogy components.

REVENUE ANALYSIS DETAIL

- The number of qualifying teachers was estimated using staff data published by MDE and compiled by the Professional Educator Licensing and Standards Board (PELSB). PELSB includes teacher-level data on educational attainment and district-level headcounts of teachers by teaching assignment codes.
- About 1,400 teachers attained master’s degrees each year. Of those, it is assumed that 18% are special education teachers, based on the percentage of teaching licenses in special education.
- The costs of tuition and other qualifying expenses are assumed to exceed \$2,500 for all eligible claimants.

REVENUE ANALYSIS DETAIL (Cont.)

- Since the credit is nonrefundable, the average reduction in tax is estimated at \$1,652, based on information on the average tax benefit of the current credit from income tax returns in 2018 through 2021.
- Projected growth is based on the average growth rates of the total number of teachers, the number of special education teachers, and the number of teachers attaining a master's degree each year.
- Tax year impacts are allocated for the following fiscal year.

Number of Taxpayers: About 300 tax returns would be affected in tax year 2024. The average decrease in tax would be \$1,652.

Minnesota Department of Revenue
Tax Research Division
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