

January 24, 2025

|                                  | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings |     | X  |

Department of Revenue  
Analysis of S.F. 249 (Johnson Stewart)

|              | <b>Fund Impact</b>      |                         |                         |                         |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|
|              | <b><u>F.Y. 2026</u></b> | <b><u>F.Y. 2027</u></b> | <b><u>F.Y. 2028</u></b> | <b><u>F.Y. 2029</u></b> |
|              |                         | (000's)                 |                         |                         |
| General Fund | (\$1,400)               | (\$1,500)               | (\$1,600)               | (\$1,600)               |

Effective beginning tax year 2025.

## 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, deaf and hard of hearing education, blind and visually impaired 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.

The bill would also extend the credit to individuals who obtain a teaching license within six months of completing a master's degree program.

## 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 1,500 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.

**REVENUE ANALYSIS DETAIL (Cont.)**

- The costs of tuition and other qualifying expenses are assumed to exceed \$2,500 for all eligible claimants.
- About 600 new teachers with master's degrees are hired each year. This estimate assumes that 50% of those were licensed within six months of completing their master's program and would be eligible for the credit.
- Since the credit is nonrefundable, the average reduction in tax is estimated at \$1,963, based on the average tax benefit of the credit from income tax returns in 2018 through 2022.
- 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 700 tax returns would have an average decrease in tax of \$1,963 in tax year 2025.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)