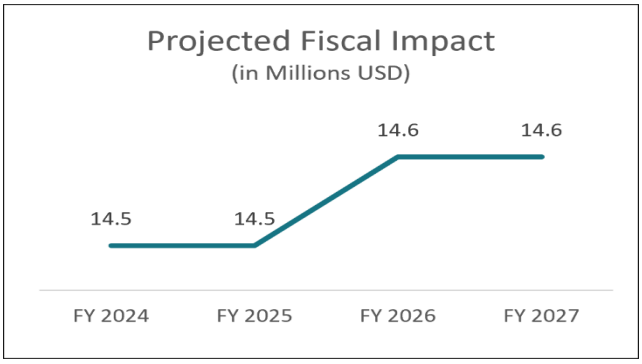
Minnesota Education Credit[i]

Tax Expenditure Initial Review – TEB 1.6.08

Tax Expenditure Facts

Year Enacted	1997
Statute	Minnesota Statutes 2025, section 290.0674
Tax Type	Individual Income Tax
Provision Type	Credit
Latest Fiscal Impact Estimate	$14.6 million for fiscal year 2027
Latest Claims Estimate	43,600— tax year 2023
Expiration Date	None



Tax Expenditure Description[ii]

A refundable credit is allowed equal to 75% of eligible education expenses for a qualifying child in kindergarten through grade 12. The maximum credit of $1,500 per each child in kindergarten through grade 12 is allowed to taxpayers with federal adjusted gross income of $75,820 or less. The maximum credit is phased out for households that exceed this income threshold. Household income limits exist to qualify for the credit adjusted for the number of qualifying children.

Eligible expenses include fees or tuition for instruction outside the regular school day or school year, such as tutoring and educational summer camps. Also eligible are costs required for the regular school day for textbooks, instructional materials, and transportation costs paid to others. Eligible expenses also include personal computer hardware and educational software, limited to a maximum of $200 per family. Private school tuition does not qualify for the credit, although it does qualify for the subtraction (TEB 1.4.01).

Additional Background Information

The tax credit is administered by the Department of Revenue. The Minnesota Education Credit reduces the amount of income tax revenue that would otherwise be generated. State income tax collections are deposited in the state General Fund, except as provided in the Minnesota Constitution or Minnesota Statutes, section 290.62.

This credit was enacted in 1997, effective in tax year 1998, at a rate of 100% and was allowed for taxpayers with income of $33,500 or less. In 2001, the credit was reduced from 100% to 75% of expenses. The maximum credit was increased from $1,000 to $1,500 starting in tax year 2023. Additionally, the Minnesota Education Credit has an income phaseout starting at $70,000.

Individuals who claim the K-12 Education Expenses Subtraction (TEB 1.4.01) must subtract the amount that is used to claim the K-12 Education Expenses Credit.[iii]

Proposed Tax Expenditure Objective for Consideration

The objective of the Minnesota Education Credit is to offset out-of-pocket educational expenses for low- and middle-income tax filers.

Sources

An explicit tax expenditure objective was not identified in the legislative record. This provision was included in the 1997 regular session in HF33.[iv] The proposed objective is based on statements made by the author of that bill in the House Education committee on February 6, 1997, as well as available Minnesota House Research topic briefs and conversations with the Minnesota Department of Revenue.[v]

Potential Metrics and Performance Measures

An analysis of claims data to understand participation and the value of the credit among tax filers by income decile could help to understand credit income distribution.

A comparative analysis between tax filers that claim the credit, the K-12 Education Expenses subtraction, or both by income decile could indicate claimant population characteristics.

An analysis of the average cost of qualifying education expenses and the buying power of $1,500 since 1997, may indicate the effectiveness of the policy towards alleviating education costs for low- and middle-income families.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2025, section 3.8855, subdivision 4.

Notice: Proposed tax expenditure objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the Tax Expenditure Review Commission website.

---

[i] The title of this credit in the Tax Expenditure Budget is K-12 Education Expenses credit, however, in statute, the credit is named the Minnesota Education Credit.

[ii] The description provided in the 2024 Tax Expenditure Budget has been edited for brevity.

[iii] Minnesota Department of Revenue, Tax Expenditure Budget Fiscal Years 2022-25, page 65. Available online at https://www.revenue.state.mn.us/sites/default/files/2022-02/2022%20Tax%20Expenditure%20Budget_0.pdf.

[iv] Minn. HF 33 (1997), online. Available at https://www.revisor.mn.gov/bills/text.php?number=HF0033&session=ls80&version=list&session_number=0&session_year=1997.

[v] House Education Committee Hearing (February 6, 1997). Available online at https://www.lrl.mn.gov/media/file?mtgid=800402, File 2 of 3.