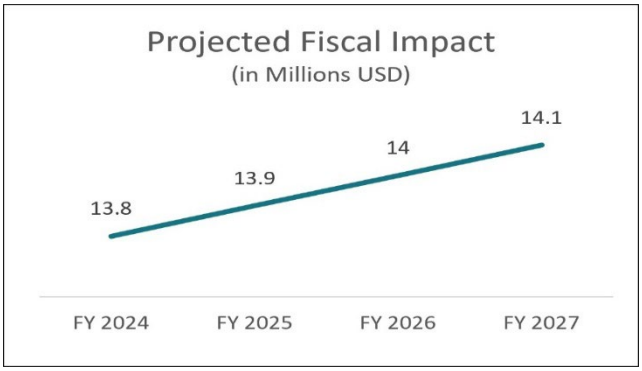
K-12 Education Expenses Subtraction

Tax Expenditure Initial Review - TEB 1.4.01

Tax Expenditure Facts

Year Enacted	1955
Statute	Minnesota Statutes 2025, section 290.0132, subdivision 4
Tax Type	Individual Income Tax
Provision Type	Minnesota Subtraction
Latest Fiscal Impact Estimate	$14,100,000 – Fiscal Year 2027
Latest Claims Estimate	143,700 – Tax Year 2023
Expiration Date	None



Tax Expenditure Description

A subtraction from federal taxable income is allowed for certain education expenses paid for a qualifying child in kindergarten through twelfth grade. The maximum subtraction is $1,625 per child in kindergarten through sixth grade and $2,500 per child in seventh through twelfth grade.

Qualifying expenses include amounts paid to others for tuition, transportation, nonreligious textbooks, and instructional materials and equipment required for regular school classes. Fees or tuition for instruction outside the regular school day and school year also qualify, such as tutoring and educational summer camps. Amounts paid for computer hardware and educational software can be subtracted, subject to a limit of $200 per family. The amount that can be subtracted is reduced by any expenses used to claim the K-12 education credit (Item 1.6.08).

An education deduction was first enacted in 1955. In 1987, the deduction became a Minnesota subtraction limited to federal itemizers.[i] In 1997, the deduction (subtraction) was expanded to non-itemizers, beginning with tax year 1998.[ii] This provision was last modified in 2001.

Additional Background Information

When the education deduction was first enacted in 1955, the original limits on the amount of the deduction were $200 per dependent child, regardless of age.[iii] In 1976, the limit was increased to $500 for students in kindergarten through sixth grade, and $700 for students in grade seventh through twelfth grade.[iv] In 1984, following the law's upholding by the Minnesota Supreme Court, the limit was once again increased to $650 for students in kindergarten through sixth grade and $1,000 for students in seventh through twelfth grade.[v] The 1998 modification increased the limit to the current amount and accounted for the K-12 education expenses tax credit, which was enacted that year.[vi] A review of the tax expenditure was provided by legislative staff in 2013.[vii]

Beneficiaries of the tax expenditure include individuals that make qualifying purchases for children in kindergarten through twelfth grade. The Department of Revenue administers this tax expenditure. The K-12 Education Expenses Subtraction 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.

Proposed Tax Expenditure Objective for Consideration

The objective of the K-12 Education Subtraction is to offset educational expenses for income tax filers by reducing taxable income for all income levels.

Sources

An explicit tax expenditure objective was not identified in the legislative record. The proposed objective is informed by legislative debate to amendments proposed to the enacted policy in subsequent legislative sessions as well as existing Minnesota House Research topic briefs and conversations with the Minnesota Department of Revenue.

The original enacting bill, HF483, was heard in the House Taxes committee during the 1955 legislative session and eventually went on to pass both bodies unanimously.[viii] This established the education expenses deduction. The constitutionality of the tax expenditure has been challenged in state Supreme Courts, including Minnesota, and the United States Supreme Court. Many cases like this were struck down in other states as unconstitutionally promoting religion and entangling state dollars with non-secular purposes. In 1983, the Minnesota Supreme Court ruled that the deduction met the standard of constitutionality and served the non-sectarian purposes of the above proposed objective.[ix]

When the bills amending the enacted tax expenditure were heard in subsequent legislative sessions, observers to the process and those involved in the policymaking process identified the declining enrollment in private schools and the overcrowding of public schools as reasons to increase the maximum amounts of the deduction. Opponents of the increases cited behavior by the private schools of increasing their tuition in step with the increased deduction maximums.[x]

In 1997, the subtraction was expanded to include non-federal itemizers. Additionally, the subtraction includes tuition costs. This differs from the Minnesota Education Credit, which excludes nonpublic school tuition costs.[xi] The subtraction has a wider distribution across all income levels, as there is not an income phaseout.[xii]

Potential Metrics and Performance Measures

A study of the enrollment in public and private schools before and after the initial enactment of this tax expenditure may illustrate whether the tax expenditure is meeting its intended objective. To contribute any change in the composition of the education landscape in Minnesota to this tax expenditure, any such study would need to control for the many variables that have impacted enrollment in each institution type since the enactment and increases of this tax expenditure.

A comparison of the use of the tax for non-public school tuition and expenses other than non-public school tuition could illustrate the utilization of the subtraction for tuition purposes. Additionally, an analysis of subtraction utilization by income decile would illustrate whether or not the subtraction was being utilized at all income levels.

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] Minnesota Statutes 1987, 290.01 Income and Excise Taxes, Subdivision 19b; "Minnesota Department of Revenue Tax Research 1993 Tax Expenditure Budget", Minnesota Department of Revenue Tax Research, 1.59 Education Expenses for Dependent Children, https://www.lrl.mn.gov/docs/pre2003/mandated/930302.pdf.

[ii] "Minnesota Department of Revenue Tax Research 1998 Tax Expenditure Budget," Minnesota Department of Revenue Tax Research, 1.64 Education Expenses for Dependent Children, https://www.lrl.mn.gov/docs/pre2003/mandated/980403.pdf

[iii] Laws of Minnesota, 1955, chapter 741, section 1, paragraph 19.

[iv] Laws of Minnesota, 1976, chapter 37, section 1.

[v] Laws of Minnesota, 1984, chapter 502, article 2, section 8.

[vi] Laws of Minnesota, 1997, First Special Session, chapter 4, article 13, section 1.

[vii] Minnesota House Research Department. (2013). *A Review of Selected Tax Expenditures*. Retrieved from Minnesota House Research Department: https://www.house.mn.gov/hrd/pubs/taxexpend.pdf.

[viii] Betty Malen Anderson, "Politics of Persistence: The legislative process resulting in Minnesota's tuition tax concession statutes for elementary-secondary education," University of Minnesota PhD thesis, 1983, 428-249.

[ix] Mueller v. Allen, 463 U.S. 388 (1983).

[x] Anderson, "Politics of Persistence", 186.

[xi] "Minnesota's K-12 Education Subtraction and Credit," Minnesota House Research Topic Brief, January 2026. https://www.house.mn.gov/hrd/pubs/ss/sseducdc.pdf.

[xii] "Minnesota's K-12 Education Subtraction and Credit," Minnesota House Research Topic Brief, January 2026. https://www.house.mn.gov/hrd/pubs/ss/sseducdc.pdf.