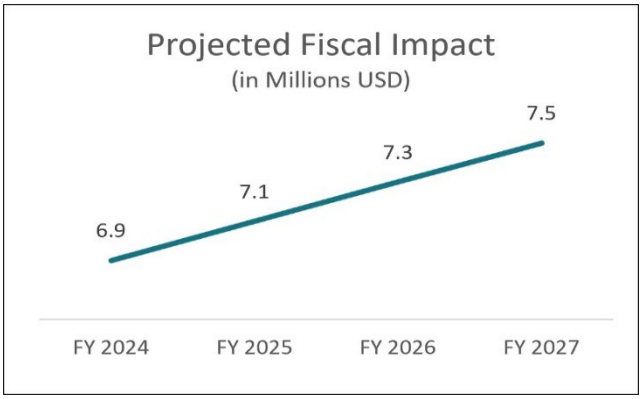
Section 529 College Savings Plan Credit

Tax Expenditure Initial Review - TEB 1.6.21

Tax Expenditure Facts

Year Enacted	2017
Statute	Minnesota Statutes 2025, section 290.0684 and Minnesota Statutes 2025, section 290.06, subdivision 24
Tax Type	Individual Income Tax
Provision Type	Credit
Latest Fiscal Impact Estimate	$7,500,000–Fiscal Year 2027
Latest Claims Estimate	24,400–Tax year 2023
Expiration Date	None



Tax Expenditure Description

A nonrefundable credit is allowed for qualified contributions to a Section 529 plan. The credit is equal to 50% of the amount contributed up to a maximum amount. The credit is phased out with income, as described below. The phase-out thresholds are adjusted annually for inflation. The following thresholds apply for tax year 2025.

For married joint filers with an adjusted gross income (AGI) of $96,220 or less the maximum credit is $500. For married joint filers, the credit is phased out as follows:

- For filers with an adjusted gross income greater than $96,220 but less than $121,220 the maximum credit of $500 is reduced by 1% of Minnesota AGI exceeding the $96,220 threshold
- For filers with an AGI greater than $121,220 but less than $173,200 the maximum credit is $250
- For filers with an AGI greater than $173,200 but less than $198,200 the maximum credit of $250 is reduced by 1% of Minnesota AGI exceeding the $173,200 threshold
- Filers with an AGI greater than $198,200 are not eligible for the credit

For all other filing statuses the credit is phased out as follows:

- For filers with an AGI of $96,220 or less the maximum credit is $500
- For filers with an AGI greater than $96,220 but less than $121,220 the maximum credit of $500 is reduced by 2% of Minnesota AGI exceeding $96,220
- Filers with an AGI greater than $121,220 are not eligible for the credit

The credit was enacted in 2017 and was last revised in 2019.

Additional Background Information

Section 529 plans are tax-advantaged investment accounts designed to help families save for postsecondary education expenses.[i] Plans are created and administered by states. The Minnesota 529 College Savings Plan (MCSP) was authorized by the legislature in 1997 and began operating in 2002.[ii] As of December 31, 2025, MCSP had 110,861 open accounts and $2.37 billion of assets under management.[iii] Investment income accrued from 529 plans is exempt from federal and Minnesota income tax if used for qualifying educational expenses.

From 1997 to 2011, Minnesota offered a grant matching program for 529 plans. Currently, the state offers a nonrefundable income tax credit and income tax subtraction for contributions to any state-sponsored 529 plan.[iv]

Credit beneficiaries include qualifying taxpayers who contribute to a Section 529 savings plan. The credit is administered by the Department of Revenue. The Section 529 College Savings Plan Credit reduces the amount of individual income tax revenue that would otherwise be generated. State income tax collections are deposited in the state General Fund.

Proposed Tax Expenditure Objective for Consideration

The objective of the 529 College Savings Plan Credit is to incentivize tax filers to save for future education expenses.

Sources

The proposed objective is based on bill author committee testimony during the 2015 and 2017 legislative sessions. A 529 plan credit was introduced in HF1479 and companion bill SF293 during the 2015 session and included in the omnibus tax bill HF848. The tax bill was eventually vetoed, but similar credit language was included in 2017 companion bills H.F1869 and SF1634. Credit language was included in the omnibus tax bill HF4, which was vetoed, and the following omnibus tax bill HF1, which was enacted during the 2017 first special session. Bill authors testified in 2015 and 2017 that the credit was intended to encourage saving for postsecondary expenses and reduce graduate debt.[v] The credit proposed in all four bills is conceptually similar to what was ultimately enacted in HF1, although phaseout amounts differ slightly and the credit is nonrefundable as enacted.

The 2015-2016 omnibus tax bill HF848 included a statement of purpose in engrossments one through three. The credit was “intended to increase saving for higher education expenses. The standard against which effectiveness is to be measured is the change over time in the estimated number of Minnesota residents making contributions to the Minnesota College Savings Plan, and in the amount contributed, as tracked by the Minnesota Office of Higher Education.”[vi]

Potential Metrics and Performance Measures

Comparing the number of eligible contributors and median amount contributed before and after enactment may indicate if the credit has encouraged increased use of 529 savings plans.

Analyzing the number of 529 plan account holders by income group before and after enactment may indicate if the credit has increased participation rates among lower and middle-income taxpayer groups.

Other Considerations

Indiana, Vermont, and Utah offer Section 529 credits. The 2023 Vermont Tax Expenditures Biennial Report states that the credit is intended to “encourage contributions to 529 plans that would not otherwise occur and to lower the cost of higher education for Vermont students and the Vermont taxpayers who financially support them.”[vii]

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] "An Introduction to 529 Plans," U.S. Securities and Exchange Commission, last modified January 28, 2026, https://www.sec.gov/about/reports-publications/investor-publications/introduction-529-plans; Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions* (Washington: U.S. Government Publishing Office, December 2022), 703-709, https://www.govinfo.gov/content/pkg/CPRT-117SPRT49569/pdf/CPRT-117SPRT49569.pdf; Sean Williams and Joel Michael, *Saving for College: 529 Plans* (St. Paul, MN: Minnesota House Research Department, 2017), https://www.house.mn.gov/hrd/pubs/ss/ss529plan.pdf.

[ii] The Minnesota 529 College Savings website can be found at https://www.mnsaves.org/. Further information on qualified education expenses and eligible institutions can be found at https://www.mnsaves.org/resources/faq#withdrawals.

[iii] "529 Plan Data," College Savings Plan Network, accessed June 25, 2026, https://www.529network.org/wp-content/uploads/2026/06/CSPN-data-for-12.31.25.pdf.

[iv] Sean Williams, *Minnesota's Tax Credit and Subtraction for 529 Contributions* *Topic Brief* (St. Paul, MN: Minnesota House Research Department, 2024), https://www.house.mn.gov/hrd/pubs/ss/ss529cred.pdf. A taxpayer may claim either the credit or the subtraction. For more information on the discontinued matching grant program, see Minnesota Statutes 2010, section 136G.11, available online at https://www.revisor.mn.gov/statutes/2010/cite/136G.11.

[v] House Higher Education Policy and Finance Committee hearing (March 24, 2015). HF 1479 is discussed at 1:12:25 of the audio recording, available at https://www.lrl.mn.gov/audio/house/2015/hied032415.mp3; House Taxes Committee hearing (April 16,2015). HF 1479 is discussed at 00:31:15 of the audio recording, available at https://www.lrl.mn.gov/audio/house/2015/taxes041615.mp3; Senate Committee on Higher Education and Workforce Development hearing (February 24, 2015). SF 293 is discussed at 00:19:40 of the audio recording, available at https://www.lrl.mn.gov/media/file?mtgid=890146; Senate Tax Reform Division hearing (March 11, 2015). SF 293 is discussed at 00:00:35 of the audio recording, available at https://www.lrl.mn.gov/media/file?mtgid=890229; House Taxes Committee hearing (March 8, 2017). HF1869 is discussed at 14:16 of the audio recording, available at https://www.lrl.mn.gov/audio/house/2017/taxes030817.mp3; Senate Committee on Taxes hearing (March 22, 2017). SF1634 is discussed at 1:55:30 of the audio recording, available at https://www.lrl.mn.gov/media/file?mtgid=900417.

[vi] House File 848-3E (2015), article 10, section 26, subdivision 10.

[vii] Patrick Titterton, Jake Feldman, and Erin Hicks-Tibbles, *2023 Vermont Tax Expenditures Biennial Report* (Montpelier, VT: Vermont Legislative Joint Fiscal Office, 2023), 13, available online at https://ljfo.vermont.gov/assets/Subjects/Tax-Expenditure-Reports/359cc7d34b/GENERAL-366325-v1-2023_Tax_Expenditures_Report.pdf.