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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE NO. 1264

February 22, 2007

Authored by Eastlund, Slawik, Gottwalt, Buesgens, Nornes and others  
The bill was read for the first time and referred to the Committee on Taxes

February 26, 2007

By motion, recalled and re-referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to taxation; individual income; allowing a credit for contributions  
1.3 for early childhood education access grants and a credit for early childhood  
1.4 educational expenses; requiring a report; amending Minnesota Statutes 2006,  
1.5 sections 13.46, subdivision 2; 119B.09, subdivision 1; 290.01, subdivisions 19b,  
1.6 19c; 290.0674, subdivisions 1, 2, by adding a subdivision; proposing coding for  
1.7 new law in Minnesota Statutes, chapter 290.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2006, section 13.46, subdivision 2, is amended to read:

1.10 Subd. 2. **General.** (a) Unless the data is summary data or a statute specifically  
1.11 provides a different classification, data on individuals collected, maintained, used, or  
1.12 disseminated by the welfare system is private data on individuals, and shall not be  
1.13 disclosed except:

1.14 (1) according to section 13.05;

1.15 (2) according to court order;

1.16 (3) according to a statute specifically authorizing access to the private data;

1.17 (4) to an agent of the welfare system, including a law enforcement person, attorney,  
1.18 or investigator acting for it in the investigation or prosecution of a criminal or civil  
1.19 proceeding relating to the administration of a program;

1.20 (5) to personnel of the welfare system who require the data to verify an individual's  
1.21 identity; determine eligibility, amount of assistance, and the need to provide services to  
1.22 an individual or family across programs; evaluate the effectiveness of programs; and  
1.23 investigate suspected fraud;

1.24 (6) to administer federal funds or programs;

1.25 (7) between personnel of the welfare system working in the same program;

2.1 (8) to the Department of Revenue to administer and evaluate tax refund or tax credit  
2.2 programs and to identify individuals who may benefit from these programs. The following  
2.3 information may be disclosed under this paragraph: an individual's and their dependent's  
2.4 names, dates of birth, Social Security numbers, income, addresses, and other data as  
2.5 required, upon request by the Department of Revenue. Disclosures by the commissioner  
2.6 of revenue to the commissioner of human services for the purposes described in this clause  
2.7 are governed by section 270B.14, subdivision 1. Tax refund or tax credit programs include,  
2.8 but are not limited to, the dependent care credit under section 290.067, the Minnesota  
2.9 working family credit under section 290.0671, the property tax refund and rental credit  
2.10 under section 290A.04, and the Minnesota education credit under section 290.0674;

2.11 (9) between the Department of Human Services, the Department of Education, and  
2.12 the Department of Employment and Economic Development for the purpose of monitoring  
2.13 the eligibility of the data subject for unemployment benefits, for any employment or  
2.14 training program administered, supervised, or certified by that agency, for the purpose of  
2.15 administering any rehabilitation program or child care assistance program, whether alone  
2.16 or in conjunction with the welfare system, or to monitor and evaluate the Minnesota  
2.17 family investment program by exchanging data on recipients and former recipients of food  
2.18 support, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance  
2.19 under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;

2.20 (10) to appropriate parties in connection with an emergency if knowledge of  
2.21 the information is necessary to protect the health or safety of the individual or other  
2.22 individuals or persons;

2.23 (11) data maintained by residential programs as defined in section 245A.02 may  
2.24 be disclosed to the protection and advocacy system established in this state according  
2.25 to Part C of Public Law 98-527 to protect the legal and human rights of persons with  
2.26 developmental disabilities or other related conditions who live in residential facilities for  
2.27 these persons if the protection and advocacy system receives a complaint by or on behalf  
2.28 of that person and the person does not have a legal guardian or the state or a designee of  
2.29 the state is the legal guardian of the person;

2.30 (12) to the county medical examiner or the county coroner for identifying or locating  
2.31 relatives or friends of a deceased person;

2.32 (13) data on a child support obligor who makes payments to the public agency  
2.33 may be disclosed to the Minnesota Office of Higher Education to the extent necessary to  
2.34 determine eligibility under section 136A.121, subdivision 2, clause (5);

2.35 (14) participant Social Security numbers and names collected by the telephone  
2.36 assistance program may be disclosed to the Department of Revenue to conduct an

3.1 electronic data match with the property tax refund database to determine eligibility under  
3.2 section 237.70, subdivision 4a;

3.3 (15) the current address of a Minnesota family investment program participant  
3.4 may be disclosed to law enforcement officers who provide the name of the participant  
3.5 and notify the agency that:

3.6 (i) the participant:

3.7 (A) is a fugitive felon fleeing to avoid prosecution, or custody or confinement after  
3.8 conviction, for a crime or attempt to commit a crime that is a felony under the laws of the  
3.9 jurisdiction from which the individual is fleeing; or

3.10 (B) is violating a condition of probation or parole imposed under state or federal law;

3.11 (ii) the location or apprehension of the felon is within the law enforcement officer's  
3.12 official duties; and

3.13 (iii) the request is made in writing and in the proper exercise of those duties;

3.14 (16) the current address of a recipient of general assistance or general assistance  
3.15 medical care may be disclosed to probation officers and corrections agents who are  
3.16 supervising the recipient and to law enforcement officers who are investigating the  
3.17 recipient in connection with a felony level offense;

3.18 (17) information obtained from food support applicant or recipient households may  
3.19 be disclosed to local, state, or federal law enforcement officials, upon their written request,  
3.20 for the purpose of investigating an alleged violation of the Food Stamp Act, according  
3.21 to Code of Federal Regulations, title 7, section 272.1(c);

3.22 (18) the address, Social Security number, and, if available, photograph of any  
3.23 member of a household receiving food support shall be made available, on request, to a  
3.24 local, state, or federal law enforcement officer if the officer furnishes the agency with the  
3.25 name of the member and notifies the agency that:

3.26 (i) the member:

3.27 (A) is fleeing to avoid prosecution, or custody or confinement after conviction, for a  
3.28 crime or attempt to commit a crime that is a felony in the jurisdiction the member is fleeing;

3.29 (B) is violating a condition of probation or parole imposed under state or federal  
3.30 law; or

3.31 (C) has information that is necessary for the officer to conduct an official duty related  
3.32 to conduct described in subitem (A) or (B);

3.33 (ii) locating or apprehending the member is within the officer's official duties; and

3.34 (iii) the request is made in writing and in the proper exercise of the officer's official  
3.35 duty;

4.1 (19) the current address of a recipient of Minnesota family investment program,  
4.2 general assistance, general assistance medical care, or food support may be disclosed to  
4.3 law enforcement officers who, in writing, provide the name of the recipient and notify the  
4.4 agency that the recipient is a person required to register under section 243.166, but is not  
4.5 residing at the address at which the recipient is registered under section 243.166;

4.6 (20) certain information regarding child support obligors who are in arrears may be  
4.7 made public according to section 518A.74;

4.8 (21) data on child support payments made by a child support obligor and data on  
4.9 the distribution of those payments excluding identifying information on obligees may be  
4.10 disclosed to all obligees to whom the obligor owes support, and data on the enforcement  
4.11 actions undertaken by the public authority, the status of those actions, and data on the  
4.12 income of the obligor or obligee may be disclosed to the other party;

4.13 (22) data in the work reporting system may be disclosed under section 256.998,  
4.14 subdivision 7;

4.15 (23) to the Department of Education for the purpose of matching Department of  
4.16 Education student data with public assistance data to determine students eligible for free  
4.17 and reduced price meals, meal supplements, and free milk according to United States  
4.18 Code, title 42, sections 1758, 1761, 1766, 1766a, 1772, and 1773; to allocate federal and  
4.19 state funds that are distributed based on income of the student's family; and to verify  
4.20 receipt of energy assistance for the telephone assistance plan;

4.21 (24) the current address and telephone number of program recipients and emergency  
4.22 contacts may be released to the commissioner of health or a local board of health as  
4.23 defined in section 145A.02, subdivision 2, when the commissioner or local board of health  
4.24 has reason to believe that a program recipient is a disease case, carrier, suspect case, or at  
4.25 risk of illness, and the data are necessary to locate the person;

4.26 (25) to other state agencies, statewide systems, and political subdivisions of this  
4.27 state, including the attorney general, and agencies of other states, interstate information  
4.28 networks, federal agencies, and other entities as required by federal regulation or law for  
4.29 the administration of the child support enforcement program;

4.30 (26) to personnel of public assistance programs as defined in section 256.741, for  
4.31 access to the child support system database for the purpose of administration, including  
4.32 monitoring and evaluation of those public assistance programs;

4.33 (27) to monitor and evaluate the Minnesota family investment program by  
4.34 exchanging data between the Departments of Human Services and Education, on  
4.35 recipients and former recipients of food support, cash assistance under chapter 256, 256D,

5.1 256J, or 256K, child care assistance under chapter 119B, or medical programs under  
5.2 chapter 256B, 256D, or 256L;

5.3 (28) to evaluate child support program performance and to identify and prevent  
5.4 fraud in the child support program by exchanging data between the Department of Human  
5.5 Services, Department of Revenue under section 270B.14, subdivision 1, paragraphs (a)  
5.6 and (b), without regard to the limitation of use in paragraph (c), Department of Health,  
5.7 Department of Employment and Economic Development, and other state agencies as is  
5.8 reasonably necessary to perform these functions; or

5.9 (29) counties operating child care assistance programs under chapter 119B may  
5.10 disseminate data on program participants, applicants, and providers to the commissioner  
5.11 of education, and the commissioner of education may disseminate data on program  
5.12 participants to the Minnesota Early Learning Foundation, as defined in section 124D.175,  
5.13 for use by the foundation for the sole purpose of determining eligibility for access grants  
5.14 under section 290.0678, but data disseminated from the commissioner to Minnesota  
5.15 Early Learning Foundation according to this paragraph remains classified as private data  
5.16 pursuant to section 13.02, subdivision 12.

5.17 (b) Information on persons who have been treated for drug or alcohol abuse may  
5.18 only be disclosed according to the requirements of Code of Federal Regulations, title  
5.19 42, sections 2.1 to 2.67.

5.20 (c) Data provided to law enforcement agencies under paragraph (a), clause (15),  
5.21 (16), (17), or (18), or paragraph (b), are investigative data and are confidential or protected  
5.22 nonpublic while the investigation is active. The data are private after the investigation  
5.23 becomes inactive under section 13.82, subdivision 5, paragraph (a) or (b).

5.24 (d) Mental health data shall be treated as provided in subdivisions 7, 8, and 9, but is  
5.25 not subject to the access provisions of subdivision 10, paragraph (b).

5.26 For the purposes of this subdivision, a request will be deemed to be made in writing  
5.27 if made through a computer interface system.

5.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.29 Sec. 2. Minnesota Statutes 2006, section 119B.09, subdivision 1, is amended to read:

5.30 Subdivision 1. **General eligibility requirements for all applicants for child**  
5.31 **care assistance.** (a) Child care services must be available to families who need child  
5.32 care to find or keep employment or to obtain the training or education necessary to find  
5.33 employment and who:

5.34 (1) have household income less than or equal to 250 percent of the federal poverty  
5.35 guidelines, adjusted for family size, and meet the requirements of section 119B.05;

6.1 receive MFIP assistance; and are participating in employment and training services under  
6.2 chapter 256J or 256K; or

6.3 (2) have household income less than or equal to 175 percent of the federal poverty  
6.4 guidelines, adjusted for family size, at program entry and less than 250 percent of the  
6.5 federal poverty guidelines, adjusted for family size, at program exit.

6.6 (b) Child care services must be made available as in-kind services.

6.7 (c) All applicants for child care assistance and families currently receiving child care  
6.8 assistance must be assisted and required to cooperate in establishment of paternity and  
6.9 enforcement of child support obligations for all children in the family as a condition  
6.10 of program eligibility. For purposes of this section, a family is considered to meet the  
6.11 requirement for cooperation when the family complies with the requirements of section  
6.12 256.741.

6.13 (d) All applicants for and recipients of child care assistance under section 119B.03  
6.14 who meet all eligibility requirements under this chapter but are receiving one or more  
6.15 early childhood education access grants under section 290.0678, subdivision 2, clause (2),  
6.16 must have the amount of the early childhood education access grant or grants deducted  
6.17 from the total amount of assistance for which the family would otherwise be eligible  
6.18 under this chapter.

6.19 Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19b, is amended to read:

6.20 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
6.21 and trusts, there shall be subtracted from federal taxable income:

6.22 (1) net interest income on obligations of any authority, commission, or  
6.23 instrumentality of the United States to the extent includable in taxable income for federal  
6.24 income tax purposes but exempt from state income tax under the laws of the United States;

6.25 (2) if included in federal taxable income, the amount of any overpayment of income  
6.26 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
6.27 is received as a refund or as a credit to another taxable year's income tax liability;

6.28 (3) the amount paid to others, less the amount used to claim the credit allowed under  
6.29 section 290.0674, not to exceed \$1,625 for each qualifying child in grades ~~kindergarten~~  
6.30 1 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
6.31 transportation of each qualifying child in attending an elementary or secondary school  
6.32 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
6.33 resident of this state may legally fulfill the state's compulsory attendance laws, which  
6.34 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
6.35 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or

7.1 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
7.2 "textbooks" includes books and other instructional materials and equipment purchased  
7.3 or leased for use in elementary and secondary schools in teaching only those subjects  
7.4 legally and commonly taught in public elementary and secondary schools in this state.  
7.5 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
7.6 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
7.7 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
7.8 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
7.9 or materials for, or transportation to, extracurricular activities including sporting events,  
7.10 musical or dramatic events, speech activities, driver's education, or similar programs. For  
7.11 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
7.12 given in section 32(c)(3) of the Internal Revenue Code;

7.13 (4) income as provided under section 290.0802;

7.14 (5) to the extent included in federal adjusted gross income, income realized on  
7.15 disposition of property exempt from tax under section 290.491;

7.16 (6) to the extent not deducted in determining federal taxable income by an individual  
7.17 who does not itemize deductions for federal income tax purposes for the taxable year, an  
7.18 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
7.19 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and  
7.20 under the provisions of Public Law 109-1;

7.21 (7) for taxable years beginning before January 1, 2008, the amount of the federal  
7.22 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
7.23 which is included in gross income under section 87 of the Internal Revenue Code;

7.24 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not  
7.25 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
7.26 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
7.27 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
7.28 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
7.29 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
7.30 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
7.31 the extent they exceed the federal foreign tax credit;

7.32 (9) in each of the five tax years immediately following the tax year in which an  
7.33 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
7.34 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
7.35 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
7.36 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or

8.1 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
8.2 positive value of any net operating loss under section 172 of the Internal Revenue Code  
8.3 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
8.4 less than zero;

8.5 (10) job opportunity building zone income as provided under section 469.316;

8.6 (11) the amount of compensation paid to members of the Minnesota National Guard  
8.7 or other reserve components of the United States military for active service performed  
8.8 in Minnesota, excluding compensation for services performed under the Active Guard  
8.9 Reserve (AGR) program. For purposes of this clause, "active service" means (i) state  
8.10 active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally  
8.11 funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal  
8.12 active service as defined in section 190.05, subdivision 5c, but "active service" excludes  
8.13 services performed exclusively for purposes of basic combat training, advanced individual  
8.14 training, annual training, and periodic inactive duty training; special training periodically  
8.15 made available to reserve members; and service performed in accordance with section  
8.16 190.08, subdivision 3;

8.17 (12) the amount of compensation paid to Minnesota residents who are members  
8.18 of the armed forces of the United States or United Nations for active duty performed  
8.19 outside Minnesota;

8.20 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
8.21 qualified donor's donation, while living, of one or more of the qualified donor's organs  
8.22 to another person for human organ transplantation. For purposes of this clause, "organ"  
8.23 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
8.24 "human organ transplantation" means the medical procedure by which transfer of a human  
8.25 organ is made from the body of one person to the body of another person; "qualified  
8.26 expenses" means unreimbursed expenses for both the individual and the qualified donor  
8.27 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
8.28 may be subtracted under this clause only once; and "qualified donor" means the individual  
8.29 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
8.30 individual may claim the subtraction in this clause for each instance of organ donation for  
8.31 transplantation during the taxable year in which the qualified expenses occur;

8.32 (14) in each of the five tax years immediately following the tax year in which an  
8.33 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
8.34 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
8.35 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
8.36 case of a shareholder of a corporation that is an S corporation, minus the positive value of

9.1 any net operating loss under section 172 of the Internal Revenue Code generated for the  
9.2 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
9.3 subtraction is not allowed under this clause;

9.4 (15) to the extent included in federal taxable income, compensation paid to a  
9.5 nonresident who is a service member as defined in United States Code, title 10, section  
9.6 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public  
9.7 Law 108-189, section 101(2); and

9.8 (16) international economic development zone income as provided under section  
9.9 469.325.

9.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
9.11 December 31, 2007.

9.12 Sec. 4. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

9.13 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
9.14 there shall be added to federal taxable income:

9.15 (1) the amount of any deduction taken for federal income tax purposes for income,  
9.16 excise, or franchise taxes based on net income or related minimum taxes, including but not  
9.17 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
9.18 another state, a political subdivision of another state, the District of Columbia, or any  
9.19 foreign country or possession of the United States;

9.20 (2) interest not subject to federal tax upon obligations of: the United States, its  
9.21 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
9.22 state, any of its political or governmental subdivisions, any of its municipalities, or any  
9.23 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
9.24 tribal governments;

9.25 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
9.26 Revenue Code;

9.27 (4) the amount of any net operating loss deduction taken for federal income tax  
9.28 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
9.29 deduction under section 810 of the Internal Revenue Code;

9.30 (5) the amount of any special deductions taken for federal income tax purposes  
9.31 under sections 241 to 247 and 965 of the Internal Revenue Code;

9.32 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
9.33 clause (a), that are not subject to Minnesota income tax;

9.34 (7) the amount of any capital losses deducted for federal income tax purposes under  
9.35 sections 1211 and 1212 of the Internal Revenue Code;

- 10.1 (8) the exempt foreign trade income of a foreign sales corporation under sections  
10.2 921(a) and 291 of the Internal Revenue Code;
- 10.3 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
10.4 291 of the Internal Revenue Code;
- 10.5 (10) for certified pollution control facilities placed in service in a taxable year  
10.6 beginning before December 31, 1986, and for which amortization deductions were elected  
10.7 under section 169 of the Internal Revenue Code of 1954, as amended through December  
10.8 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
10.9 income for those facilities;
- 10.10 (11) the amount of any deemed dividend from a foreign operating corporation  
10.11 determined pursuant to section 290.17, subdivision 4, paragraph (g);
- 10.12 (12) the amount of a partner's pro rata share of net income which does not flow  
10.13 through to the partner because the partnership elected to pay the tax on the income under  
10.14 section 6242(a)(2) of the Internal Revenue Code;
- 10.15 (13) the amount of net income excluded under section 114 of the Internal Revenue  
10.16 Code;
- 10.17 (14) any increase in subpart F income, as defined in section 952(a) of the Internal  
10.18 Revenue Code, for the taxable year when subpart F income is calculated without regard  
10.19 to the provisions of section 103 of Public Law 109-222;
- 10.20 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
10.21 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
10.22 has an activity that in the taxable year generates a deduction for depreciation under  
10.23 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
10.24 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
10.25 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
10.26 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
10.27 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
10.28 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
10.29 under section 168(k)(1)(A) and (k)(4)(A) is allowed;
- 10.30 (16) 80 percent of the amount by which the deduction allowed by section 179 of the  
10.31 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
10.32 Revenue Code of 1986, as amended through December 31, 2003;
- 10.33 (17) to the extent deducted in computing federal taxable income, the amount of the  
10.34 deduction allowable under section 199 of the Internal Revenue Code; ~~and~~
- 10.35 (18) the exclusion allowed under section 139A of the Internal Revenue Code for  
10.36 federal subsidies for prescription drug plans; and

11.1 (19) the amount deducted under section 170 of the Internal Revenue Code that  
11.2 represents contributions for early childhood education access grants for which a credit is  
11.3 claimed under section 290.0678.

11.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
11.5 December 31, 2006.

11.6 Sec. 5. Minnesota Statutes 2006, section 290.0674, subdivision 1, is amended to read:

11.7 Subdivision 1. **Credit allowed; grades 1 through 12.** (a) An individual is allowed  
11.8 a credit against the tax imposed by this chapter in an amount equal to 75 percent of  
11.9 the amount paid for education-related expenses for a qualifying child in ~~kindergarten~~  
11.10 grade 1 through grade 12. For purposes of this ~~section~~ subdivision, "education-related  
11.11 expenses" means:

11.12 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision  
11.13 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers  
11.14 Association, and who is not a lineal ancestor or sibling of the dependent for instruction  
11.15 outside the regular school day or school year, including tutoring, driver's education  
11.16 offered as part of school curriculum, regardless of whether it is taken from a public or  
11.17 private entity or summer camps, in grade or age appropriate curricula that supplement  
11.18 curricula and instruction available during the regular school year, that assists a dependent  
11.19 to improve knowledge of core curriculum areas or to expand knowledge and skills under  
11.20 the required academic standards under section 120B.021, subdivision 1, and the elective  
11.21 standard under section 120B.022, subdivision 1, clause (2), and that do not include the  
11.22 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such  
11.23 tenets, doctrines, or worship;

11.24 (2) expenses for textbooks, including books and other instructional materials and  
11.25 equipment purchased or leased for use in elementary and secondary schools in teaching  
11.26 only those subjects legally and commonly taught in public elementary and secondary  
11.27 schools in this state. "Textbooks" does not include instructional books and materials  
11.28 used in the teaching of religious tenets, doctrines, or worship, the purpose of which is  
11.29 to instill such tenets, doctrines, or worship, nor does it include books or materials for  
11.30 extracurricular activities including sporting events, musical or dramatic events, speech  
11.31 activities, driver's education, or similar programs;

11.32 (3) a maximum expense of \$200 per family for personal computer hardware,  
11.33 excluding single purpose processors, and educational software that assists a dependent to  
11.34 improve knowledge of core curriculum areas or to expand knowledge and skills under  
11.35 the required academic standards under section 120B.021, subdivision 1, and the elective

12.1 standard under section 120B.022, subdivision 1, clause (2), purchased for use in the  
 12.2 taxpayer's home and not used in a trade or business regardless of whether the computer is  
 12.3 required by the dependent's school; and

12.4 (4) the amount paid to others for transportation of a qualifying child attending an  
 12.5 elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa,  
 12.6 or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory  
 12.7 attendance laws, which is not operated for profit, and which adheres to the provisions of  
 12.8 the Civil Rights Act of 1964 and chapter 363A.

12.9 For purposes of this section, "qualifying child" has the meaning given in section  
 12.10 32(c)(3) of the Internal Revenue Code.

12.11 (b) The maximum credit for grades 1 through 12 allowed under this subdivision is  
 12.12 \$1,000 multiplied by the number of qualifying children in grades 1 through 12 in the  
 12.13 family. The maximum credit for families with one qualifying child in grade 1 through  
 12.14 grade 12 is reduced by \$1 for each \$4 of household income over \$33,500, and the  
 12.15 maximum credit for families with two or more qualifying children in grade 1 through  
 12.16 grade 12 is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is  
 12.17 the credit less than zero.

12.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 12.19 December 31, 2007.

12.20 Sec. 6. Minnesota Statutes 2006, section 290.0674, is amended by adding a subdivision  
 12.21 to read:

12.22 **Subd. 1a. Credit allowed; prekindergarten and kindergarten.** (a) An individual  
 12.23 is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent  
 12.24 of the amount paid for education-related expenses for a qualifying child who is younger  
 12.25 than age seven and not yet enrolled in first grade at the start of the tax year. For purposes  
 12.26 of this subdivision, "education-related expenses" means "education-related expenses" as  
 12.27 defined in subdivision 1, and also:

12.28 (1) fees or tuition charged for enrollment in an all-day kindergarten;

12.29 (2) fees or tuition charged for enrollment in a qualified early childhood educational  
 12.30 program. As used in this subdivision, "qualified early childhood educational program" has  
 12.31 the meaning given in section 290.0678; and

12.32 (3) expenses for age-appropriate educational books, games, and computer software.

12.33 (b) The maximum credit allowed under this subdivision is \$5,000 multiplied by the  
 12.34 number of qualifying children who are younger than age seven and not yet enrolled in first

13.1 grade at the start of the tax year. The credit for qualifying children in prekindergarten and  
 13.2 kindergarten under this subdivision is not subject to reduction.

13.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 13.4 December 31, 2007.

13.5 Sec. 7. Minnesota Statutes 2006, section 290.0674, subdivision 2, is amended to read:

13.6 Subd. 2. **Limitations.** ~~(a) For claimants with income not greater than \$33,500, the~~  
 13.7 ~~maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying~~  
 13.8 ~~children in kindergarten through grade 12 in the family. The maximum credit for families~~  
 13.9 ~~with one qualifying child in kindergarten through grade 12 is reduced by \$1 for each \$4 of~~  
 13.10 ~~household income over \$33,500, and the maximum credit for families with two or more~~  
 13.11 ~~qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of~~  
 13.12 ~~household income over \$33,500, but in no case is the credit less than zero.~~

13.13 (a) For purposes of this section "income" has the meaning given in section 290.067,  
 13.14 subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint  
 13.15 income tax return is filed.

13.16 (b) For a nonresident or part-year resident, the credit determined under subdivision 1  
 13.17 and the maximum credit amount in paragraph (a) must be allocated using the percentage  
 13.18 calculated in section 290.06, subdivision 2c, paragraph (e).

13.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 13.20 December 31, 2007.

13.21 Sec. 8. **[290.0678] CREDIT FOR CONTRIBUTIONS FOR EARLY**  
 13.22 **CHILDHOOD EDUCATION ACCESS GRANTS.**

13.23 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
 13.24 have the meanings given.

13.25 (b) "Federal poverty guidelines" mean the poverty guidelines for the 48 contiguous  
 13.26 states used by the United States Department of Health and Human Services as most  
 13.27 recently published in the Federal Register.

13.28 (c) A "qualified student" must be:

13.29 (1) younger than age seven, not yet enrolled in kindergarten or first grade, and a  
 13.30 Minnesota resident; and

13.31 (2) a member of a household with an income less than 200 percent of the federal  
 13.32 poverty guideline for the household size.

14.1 (d) "Minnesota Early Learning Foundation" or "MELF" means the Minnesota Early  
14.2 Learning Foundation as defined in section 124D.175.

14.3 (e) A "qualified early childhood educational program" means a program included  
14.4 in guidelines prepared by the commissioner of education in consultation with the  
14.5 commissioner of human services and MELF and must accept access grants granted under  
14.6 this section in payment of tuition for a qualified student under paragraph (c) enrolled  
14.7 in the program.

14.8 Subd. 2. **Minnesota Early Learning Foundation.** The Minnesota Early Learning  
14.9 Foundation must:

14.10 (1) accept contributions from corporations and others for use in providing early  
14.11 childhood education access grants and deposit amounts received in an early childhood  
14.12 education access grant account in the general fund;

14.13 (2) develop a process for parents of qualified students to apply for and receive a  
14.14 \$5,000 early childhood education access grant, which the parents must use to enroll the  
14.15 student in the qualified early childhood educational program of their choice;

14.16 (3) not charge parents of qualified students a fee of any kind;

14.17 (4) report annually to the committees of the legislature with jurisdiction over early  
14.18 childhood education on:

14.19 (i) the number of students awarded access grants from contributions under the tax  
14.20 credit program;

14.21 (ii) the total amount awarded in access grants from contributions under the tax  
14.22 credit program; and

14.23 (iii) the total number of early childhood educational programs attended by access  
14.24 grant recipients.

14.25 Parents of more than one qualified student are eligible to apply for and receive an access  
14.26 grant for each qualified student.

14.27 Subd. 3. **Credit allowed.** A corporation is allowed a credit against the corporate  
14.28 franchise tax due under this chapter equal to 75 percent of the amount contributed  
14.29 to MELF for early childhood education access grants. The maximum credit allowed  
14.30 any corporation in a taxable year is \$2,500,000. The credit may not be claimed for  
14.31 contributions designated for the use of a specific student. The credit for the taxable year  
14.32 may not exceed the corporation's liability for tax. The commissioner of revenue shall  
14.33 prescribe the manner in which the credit may be claimed. This may include allowing the  
14.34 credit only as a separately processed claim for refund.

14.35 Subd. 4. **Application for credit certificate.** A corporation shall apply to MELF for  
14.36 a tax credit certificate. Tax credit certificates under this section shall be made available by

15.1 MELF on a first-come, first-served basis until the maximum statewide credit amount has  
15.2 been reached. The statewide credit maximum amount is \$100,000,000 in fiscal year 2008  
15.3 and following years. A contribution by a corporation to MELF shall be made no later than  
15.4 60 days following written notification of the approval of an application. The Minnesota  
15.5 Early Learning Foundation shall issue the tax credit certificate in the amount of 75 percent  
15.6 of the amount contributed to MELF after the corporation has made the contribution.  
15.7 The Minnesota Early Learning Foundation shall not issue a tax credit certificate for an  
15.8 amount greater than \$2,500,000.

15.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
15.10 December 31, 2006.