

Income Tax Fact Sheet 8, K–12 Education Subtraction and Credit

Minnesota has two programs—the K–12 Education Subtraction and the K–12 Education Credit—to help families pay expenses related to their child’s kindergarten through 12th grade (K–12) education. Both programs lower the tax you must pay and may even provide a larger refund when you file your Minnesota income tax return.

The amount of your subtraction or credit is based on the actual qualifying expenses you paid during the year for your child’s K–12 education—for which you have documentation—up to the maximums allowed by law.

This fact sheet covers who qualifies for the subtraction and credit, what educational expenses qualify for each, and required forms to file.

Required Documentation

To claim either the subtraction or credit, you must have documentation—such as itemized cash register receipts or invoices—to prove all specific qualifying expenses. Canceled checks alone may not be sufficient proof of what you actually purchased. Be sure to save your receipts and other documentation. The Minnesota Department of Revenue may ask you to provide these for review.

You may claim the subtraction and credit only to the extent of your actual expenses, and you cannot use the same expenses to claim both the subtraction and the credit.

We may require additional information, including the name of the organization or the qualified instructor to whom you paid fees for classroom or individual instruction.

Eligibility Requirements

To claim either the subtraction or credit, you must have paid qualifying expenses during the year to help your qualifying child’s K-12 education. (For the definition of *qualifying child*, see this page and see page 2 for the definition of *qualifying expenses*.) Part-year residents and nonresidents may qualify for both the subtraction and credit.

What is the subtraction and who qualifies?

If you purchased educational material or services for your child’s K–12 education, you may be able to subtract your qualifying expenses from your taxable income (up to certain maximum amounts) when you file your Minnesota income tax return.

Unlike the K-12 Education Credit, there is no income limit to qualify for the K–12 Education Subtraction. Although you may qualify for the subtraction regardless of your filing status, your child must have attended a school located in Minnesota, Iowa, North Dakota, South Dakota, or Wisconsin.

What is the credit and who qualifies?

The education credit is a refundable credit that reduces your state income tax liability. If you qualify, you may claim a credit on your Minnesota income tax return equal to 75% of the qualifying expenses you paid during the year for your child’s K–12 education, up to the maximum amounts.

To qualify for the education credit, your filing status must not be Married Filing Separately.

In addition, your household income—your federal adjusted gross income plus most nontaxable income—must be below a certain limit for the year.

Income requirements. To qualify for the credit, your household income must be under a certain limit based on the number of qualifying children you have in grades K–12 (see *Qualifying child* on the next page).

If your total number of qualifying children is: Your household income limit is:

1 or 2	\$37,500
3	\$39,500
4	\$41,500
5	\$43,500
6 or more	*

*For more than 5 children, the limit is \$43,500 plus \$2,000 for each additional qualifying child.

Qualifying Child

A qualifying child must meet the definition of a qualifying child for the federal Earned Income Tax Credit, must have been in grades K–12 during the year, and must have attended public or private school.

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Qualifying Expenses

In general, expenses that qualify for *either* the subtraction or the credit include:

- Instructor fees and tuition for classes or instruction taken **outside** the normal school day or school year, if the instructor is not the child's sibling, parent, or grandparent. Instruction must be a supplement to the regular school curriculum or instruction provided by the school.
- Purchases of required educational materials for use **during** the normal school day (the time that a student is attending school, whether in-person or through distance learning).
- Fees paid to others for transporting your child to and from school **for** the normal school day
- Educational software and computer hardware for personal use in your home

These expenses do not qualify for either the subtraction or the credit:

- Purchases of materials for use **outside** the normal school day
- Fees paid to others for transporting your child to and from activities **outside** the normal school day

For expenses to qualify as a subtraction, your child must have attended a school located in the five-state area—Minnesota, Iowa, North Dakota, South Dakota, or Wisconsin.

Qualifying expenses that apply *only for the subtraction* include private school tuition and tuition paid for college or summer school courses used to satisfy high school graduation requirements.

If you home school your child, see Fact Sheet 8a, *Qualifying Home School Expenses for K-12 Education Subtraction and Credit*, for more information about qualifying expenses.

Fees paid for instruction or tuition

Expenses that qualify for **either** the subtraction or the credit include fees and expenses paid for instruction or tuition taken **outside** the regular school day or school year for which your child is not required to attend, such as:

- The instructional portion of fees and tuition paid for your child's after-school instruction, if the after-school program or camp is both:
 - through an enrichment (or fine and performing arts) program, academic summer camp, or other educational study
 - taught or provided instruction is provided by a qualified instructor (see *Qualified instructor* on this page)
- Fees paid for individual instruction by a qualified instructor, such as tutoring and music lessons
- Instructor fees for a drivers education course if the school offers a class as part of the curriculum, regardless of where your child takes the class

Expenses that qualify for only the subtraction include fees and expenses paid for instruction or tuition taken during the regular school day or school year or for mandatory classes held outside the regular school day or school year, such as:

- Private school tuition
- Tuition paid for college courses that are used to satisfy high school graduation requirements
- Instructor fees for drivers education course if the school offers a class as part of the curriculum
- Fees paid for individual instruction by a qualified instructor
- Instructor fees and tuition paid for attending mandatory summer school

These expenses do not qualify for the credit or subtraction:

- Room and board
- Instructor fees paid for the teaching of religious beliefs
- Fees or tuition paid for programs not academic in nature, such as sport camps and martial arts programs

Qualified instructor

To be a qualified instructor, the person must meet one of the following requirements:

- Be a Minnesota licensed teacher
- Be directly supervised by a Minnesota licensed teacher
- Have passed a teacher competency test
- Teach in an accredited private school
- Have at least a baccalaureate degree (the subject they teach need not have any relation to their academic training)
- Be a member of the Minnesota Music Teachers Association

A qualified instructor cannot be the child's sibling, parent or grandparent.

Required school materials

Generally, most expenses paid for required materials used for educational instruction **during** the regular school day or school year qualify. The materials must be used in teaching subjects normally taught in public schools in grades K–12.

Qualifying expenses include:

- Purchases of nonreligious textbooks
- Purchases of required educational material, such as paper, pens, pencils, notebooks, and rulers
- The purchase or rental fees of educational equipment, such as musical instruments and calculators
- Expenses paid for field trips, including entrance fees to exhibits

Be sure to keep your itemized cash register receipts and invoices as documentation.

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Do not include:

- Cell phones
- Tissues
- School lunch, snacks, or treats
- School uniforms (including choir or band uniforms, dance costumes, and graduation robes)
- Clothing for school (except gym clothes that are required for class)
- Travel expenses, lodging, transportation (such as airline tickets), and meals for overnight class trips (only instructor fees paid for direct academic instruction is allowed)

For a more complete list of qualifying expenses and expenses that are not allowed, go to www.revenue.state.mn.us and enter **Education Expenses** into the Search box.

Transportation costs paid to others

The *only* qualifying transportation expense is the amount you paid to *others* to transport your child to and from school or for field trips during the normal school day. To claim this expense as a subtraction or a credit, your child must have attended a school located in Minnesota, Iowa, North Dakota, South Dakota, or Wisconsin.

Examples of transportation costs that do not qualify include expenses and costs for:

- You or other members of your household to drive your child to school
- Transporting your child to or from day care
- Transporting your child to or from any program or camp that is not part of the normal school day
- Overnight class trips

Computer hardware and educational software

Personal computer hardware and educational software purchased during the year for use in your home qualifies, as long as it is not used in a trade or business. Examples of qualifying hardware can include a personal computer, printer, monitor, CD-ROM drive, modem, additional hard drives, memory upgrades, or adaptive equipment for students with disabilities. Software must have a clear educational purpose—computer games without educational value do not qualify.

Note: Monthly charges to a service provider for internet access **do not qualify**.

For limits to the computer expenses you may claim, see *Limits to computer expenses* on page 4.

Examples of expenses that may qualify for the education credit or subtraction	Qualifies for:		
	Credit	Subtraction	Neither
Educational expenses			
Private school tuition		X	
Tuition for college courses used to satisfy high school graduation		X	
Tutoring (by qualified instructor)*	X	X	
Fees for after-school enrichment programs such as science exploration and study habits courses*	X	X	
Tuition for summer camps that are primarily academic in focus, such as language or fine arts camps*	X	X	
Fees for all-day Kindergarten	X	X	
Music lessons*	X	X	
Instructor fees for a drivers education course* if the school offers a class as part of the curriculum	X	X	
Sports camps, lessons or fees (sports include figure skating and gymnastics)			X
Nonreligious academic books and materials purchased for use during the regular public, private, or home school day	X	X	
Purchase of books and materials used for tutoring, enrichment, programs, or academic trips			X
Purchase or rental of musical instruments used for regular school music classes	X	X	
Fees paid to others for transportation to and from school, or for field trips	X	X	
Costs to transport your child to and from tutoring, enrichment programs, or camps that are not part of the school day			X
Travel expenses, lodging, and meals for overnight class trips			X
Home computer hardware and educational software	X	X	
Noneducational computer software			X

* Study must be directed by a qualified instructor. See “Qualified instructor” on page 2.

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Claim the Expense in the Year of Payment

The year in which the payment was made determines when an expense qualifies. If the educational service or material was received in a year different than the year of payment, you may only claim the qualifying expense for the year in which the payment was made. This is true for both the education subtraction and credit.

Determining year of payment for financed expenses

If you receive a loan from your local bank or you use a third-party credit card to pay your qualifying expenses, your expenses are considered fully paid when you make the initial purchase.

However, the opposite is true if you purchased a qualifying expense on credit directly from a retailer (such as a non-third-party credit card). In this case, your purchase is not fully paid when you make the initial purchase. Rather, each payment you make to the retailer is considered a separate expense.

Example 1. Tammy bought a computer several years ago on credit using her VISA credit card, and she's still making payments on this purchase. In this case, because her initial purchase was made several years ago, it does not qualify for a credit or subtraction on this year's income tax return.

Example 2. Charles received a loan from his local bank to pay educational expenses for his children. The expenses are considered to have been paid in the year they were made, regardless of when Charles paid back the loan.

Example 3. Last October, Don purchased a computer on credit directly from the computer store, and has made two payments during the year. Don may only include the amounts of the two payments, up to the maximums allowed, as qualifying expenses.

Example 4. Rita's daughter took tutored classes in the fall, but she didn't pay for the classes until January of the next year. For both the subtraction and credit, Rita's qualifying expenses must be claimed in the year in which the fee is paid, not when the class is taken.

Limits

Subtraction limits

You may subtract your actual qualifying educational expenses, up to a maximum of \$1,625 per qualifying child in grades K–6, and \$2,500 for a qualifying child in grades 7–12. In the case where a child went from 6th grade to 7th grade during the calendar year, the maximum for that child is \$2,500.

There is no family maximum subtraction, only a per-child maximum.

Credit limits

Your credit is limited to 75% of the qualifying expenses you paid during the year for your qualifying child's K–12 education, up to the maximum amounts. You may not use the remaining 25% of qualifying expenses to claim the subtraction.

The maximum credit you may claim is based on your household income and the number of qualifying children you have in grades K–12.

If your household income is from \$33,501 to \$37,499, the maximum credit is reduced. Your maximum credit limit is determined when you complete Schedule M1ED (see page 1).

Limits to Computer Expenses

If you qualify and claim your computer-related expenses for both the subtraction and credit, you cannot claim more than your actual computer expenses or \$400 total, whichever is less. You may split qualifying computer expenses between the credit and subtraction up to your actual computer expenses, but the most you can claim for each is:

- \$200 of the expenses for the subtraction
- \$200 of the expenses for the credit (if you meet the income requirements)

How to claim the subtraction and credit

Education subtraction

To claim the education subtraction, determine the amount of your qualifying expenses and fill in the amount on the appropriate line of your Minnesota income tax return.

Your subtraction must be based on your actual expenses during the year for which you have proof to substantiate your claim, such as cash register receipts and invoices. You are not required to submit the documentation with your return, but you are required to show it if we request it.

Note: If you qualify for the subtraction and your household income is less than the income limit for the K–12 Education Credit (see *What is the credit and who qualifies?* on page 1), you should first determine your credit. Once you reach the credit limits, you may take the remaining balance of your qualifying expenses, if any, as a subtraction.

Education credit

To determine your education credit, complete Schedule M1ED. Enter your credit amount on the appropriate line of your Minnesota income tax return. You must include your completed Schedule M1ED and Schedule M1REF, *Refundable Credits*, when you file your Minnesota income tax return.

If your credit is limited by the maximum amounts, you can then use the remaining qualifying expenses to claim the subtraction, up to the limits. You cannot claim both the subtraction and credit using the same expenses. Even though your credit is limited to 75% of your qualifying expenses, you cannot claim the remaining 25% as a subtraction.

Penalty for Fraudulently Claiming a Refund

If you file a return that fraudulently claims a credit or refund, including the K–12 Education Credit, we will assess you a penalty of 50% of the fraudulently claimed refund.

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Questions You May Have

I home school my child. Am I eligible to claim the subtraction and credit? Yes. If your qualifying child is in kindergarten through 12th grade, it does not matter if they are attending a public, private, parochial, or home school. You may claim your qualifying expenses. As a home school, you must annually report information regarding your program with your local public school district, and your program must meet the reporting requirements of Minnesota's compulsory attendance laws. For more information about qualifying home school expenses, see Fact Sheet 8a, *Qualifying Home School Expenses for K-12 Education Subtraction and Credit*.

My child's Social Studies class is taking a trip to Washington, D.C. to study our national government. What expenses qualify? The amount paid for instruction qualifies if it is provided by a qualified instructor. Travel expenses, lodging, and meals do not qualify.

Can I claim expenses for my child who graduated from high school and entered college during the year? Yes, but you may claim only the qualifying education expenses paid for and during their high school education.

Can I claim the full fee for sending my child to an academic camp? No, only the fee paid for instruction at the camp qualifies. For the instruction fee to qualify, your bill must separately list the qualifying expense (instruction fee) from the nonqualifying expenses, such as food, lodging, and transportation.

My child is taking dance classes from a qualified instructor. Do the fees qualify? Yes, fees paid for performing arts instruction qualify. The cost of costumes, shoes, props, and travel are not qualifying expenses.

Information and Assistance

Additional forms and information, including fact sheets and frequently asked questions, are available on our website.

Website: www.revenue.state.mn.us

Email: individual.incometax@state.mn.us

Phone: 651-296-3781 or 1-800-652-9094

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