

Subject Minnesota education credit; assignment repealed and advance payment system established

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Date February 24, 2025

Overview

H.F. 779 makes three changes to the Minnesota education credit:

- Repeals the process under current law that allows taxpayers to receive loans from nonprofit or financial institutions to pay for educational services and repay those loans with their tax refunds.
- Establishes a process for taxpayers to receive an advance payment of their credits from the Department of Revenue (DOR).
- Requires DOR to submit a report to the legislature on the possibility of distributing advance payments using an electronic benefits transfer card.

Summary

Section	Description
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1	Advance payments.
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Allows some taxpayers to elect to receive an advance payment of the education credit. The advance payment would equal half the amount of the credit the taxpayer received in the previous taxable year. If the taxpayer did not claim the credit in the previous year, the advance payment is \$750 per qualifying child.

To qualify for the advance payment program, a taxpayer's adjusted gross income must be less than the starting point for the phaseout of the Minnesota child credit.

A taxpayer must apply to DOR by September 1, and DOR must make advance payments between July 1 and September 15.

The advance payment would reduce the amount of credit the taxpayer receives upon filing a return. If a taxpayer's advance payment exceeds the amount of credit they are eligible for, the taxpayer must repay the difference upon filing a return.

Effective beginning with advance payments in 2026.

Section	Description
2	<p>Report on education credit payments using an electronic benefits card.</p> <p>Requires DOR to submit a report to the tax committees of the house and senate on the feasibility of making advance payments using an electronic benefits transfer card. The report would be due on January 15, 2027.</p>
3	<p>Repealer.</p> <p>Repeals the process allowed under current law for education credit assignment.</p> <p>Under current law, a taxpayer may assign part or all of an anticipated tax refund from an education credit to a nonprofit organization or financial institution. In exchange, the nonprofit organization or financial institution offers a loan to the taxpayer to pay a third-party vendor to provide the taxpayer's child with products and services that qualify for the education credit.</p> <p>When the taxpayer files an individual income tax return, any tax refund received by the taxpayer is repaid to the lender, until the loan has been repaid.</p> <p>Effective for assignments after December 31, 2025.</p>



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