



Opportunity, Flexibility, Access to a High Quality Education for Every Child SF 1153 (Eichorn)/HF 153 (Robbins)

Families across Minnesota should have the opportunity to access the best K-12 education option for their children. Schools where children have the opportunity to excel should be available to all families, regardless of what neighborhoods they live in or what they can afford. We believe that a child's future should not be determined by their ZIP code or by their family's economic situation.

Several organizations, including Opportunity for All Kids (OAK), Minnesota Business Partnership, Minnesota Independent School Forum (MISF), EdAllies, and the Minnesota Catholic Conference, are supporting legislation that would expand Minnesota's existing tax credit and deduction for low- and middle-income families to allow their child to attend a school of choice and for parents to receive a tax credit or subtraction for educational expenses. Eligible Minnesotans may claim a tax credit or deduction for eligible expenses such as tuition, tutoring, books and supplies, computer hardware and software, and educational summer camps. We know that parents need these critical resources particularly during the pandemic.

Minnesotans support expanding high quality educational options for students. A statewide survey conducted in 2015 found strong support for giving parents greater educational options. Nearly two-thirds of Minnesotans said they support financial resources for tax credits to attend a school of choice. Five years later, EdChoice launched another survey in Minnesota and again found the same support – two-thirds of Minnesotans support education choice for students.¹

Background Information on Education Expense Tax Proposal

Minnesota first enacted the Education Expense Credit and Tax Subtraction in 1954. The tax credit and subtraction were last expanded and updated by the Minnesota Legislature in 1997, and have not been adjusted for inflation since 1999. The legislation updates the program in the following manner.

K-12 Education Credit:

The legislation increases the maximum K-12 education credit from \$1,000 to \$1,500 per qualifying child. The legislation also expands the credit to include amounts paid for tuition.

The legislation increases the income phaseout threshold from \$33,500 to \$50,000. For individuals with one child, the maximum credit is reduced by \$1 for every \$6 of household income over \$50,000. For individuals with two or more children, the maximum credit is reduced by \$1 for every \$3 of household income over the amount. For individuals with more than two children, the phaseout range is increased by \$4,500 for each additional child.

¹ EdChoice Foundation Survey, 2020. <https://edchoice.morningconsultintelligence.com/reports/minnesota.pdf>

The maximum credit amounts and income thresholds are adjusted for inflation starting in tax year 2022. The legislation streamlines the process by defining eligible expenses as the same for both the credit and subtraction. Under current law, eligible expenses are defined separately for the subtraction and credit – the principal difference is that tuition is currently an eligible expense for the subtraction, but not the credit.

K-12 Education Subtraction:

The legislation increases the maximum K-12 subtraction from \$1,625 to \$2,600 for each qualifying child in kindergarten through 6th grade, and from \$2,500 to \$3,900 for each qualifying child in 7th grade through 12th grade. Those amounts would be indexed for inflation beginning in tax year 2022.

Cost and Utilization of the Education Expense Tax Credit Proposal

Under the current program, approximately 205,000 filers in Minnesota utilized the Education Expense Tax Credit or Subtraction on tax returns in 2016. Under the proposed legislation, approximately 42,000 taxpayers would shift from taking the subtraction to claiming the credit, due to the increased phaseout threshold and credit for tuition. About 53,000 additional taxpayers would benefit from the increased subtraction.

The proposed legislation has an impact on the General Fund of approximately \$25 million per year.

Research on School Choice Programs

School choice, and nonpublic school choice in particular, is one of the most studied issues in education. The EdChoice Foundation reviewed random sample studies conducted over the past two decades that looked at test scores, educational attainment, and integration. Random sample studies are considered the “gold standard” in education research.²

Looking at test scores and student performance, there are 19 recent studies that looked at whether students who receive and/or use scholarships to attend a private school of choice achieve higher test scores versus students who applied but did not receive and/or use a scholarship. Of the 19 recent studies, they found:

- 13 studies had positive impact, meaning students performed higher when they decided to attend a private school of choice with a scholarship; three studies had no impact; and three studies found negative impacts for some students but not all
- States/cities examined (from 1998-2018): Louisiana, New York, Toledo, DC, Charlotte, Dayton, Milwaukee

Looking at the impact on public school performance, there are 34 recent studies that examine whether students who leave public schools by using a private school choice program have an effect on test scores of students who remain in the public schools.

- 32 studies found choice programs had a positive impact on public school test scores; one study found no impact; and one study found negative impact
- States/cities examined in studies (2001-2016): Louisiana, San Antonio, Indiana, Florida, Ohio, Maine, Vermont, Milwaukee. Note: the one negative study was from Florida, but it should be noted that 12 out of 13 studies in Florida found positive impacts on public schools

² EdChoice Foundation. Breaking Down School Choice Research to Date. A Complete Summary of High Quality Empirical Evidence. Updated December 31, 2018. <https://www.edchoice.org/school-choice/empirical-research-literature-on-the-effects-of-school-choice/>