

March 17, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2293 (Weber) / H.F. 1974 (Franson)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	\$0	(Negl.)	(Negl.)	(Negl.)

Effective beginning with tax year 2026.

EXPLANATION OF THE BILL

Current Law: An employer may create a written Education Assistance Program Plan under Section 127 of the Internal Revenue Code, which allows educational assistance provided to an employee to be excluded from the employee’s wages or gross income. Educational assistance is the amount the employer pays for the employee’s education expenses. Examples of these expenses include the cost of books, equipment, fees, supplies, and tuition. An employer may exclude up to \$5,250 of educational assistance from an employee’s wages each year.

For tax years 2020-2025, payments by an employer to an employee for qualified student loans are considered educational assistance and are included in the total \$5,250 of expenses that may be excluded from the employee’s wages each year. The exclusion for student loan payments expires on December 31, 2025.

Proposed Law: The bill would create a subtraction for employees who received student loan educational assistance payments from a critical access dental clinic. The subtraction is limited to the amount of student loan educational assistance payments that exceed \$5,250.

Critical access dental clinics include:

- (1) Nonprofit community clinics that meet certain eligibility requirements;
- (2) Federally qualified health centers, rural health clinics, and public health clinics;
- (3) Hospital-based dental clinics owned and operated by a city, county, or former state hospital;
- (4) A dental clinic or dental group owned and operated by a nonprofit corporation with more than 10,000 patient encounters per year with patients who are uninsured or covered by medical assistance or MinnesotaCare;
- (5) A dental clinic owned and operated by the University of Minnesota or the Minnesota State Colleges and Universities system; and
- (6) Private practicing dentists if more than a certain percentage of the dentist’s patient encounters are with patients who are uninsured or covered by medical assistance or MinnesotaCare.

REVENUE ANALYSIS DETAIL

- Based on a summary of MinnesotaCare taxpayers for 2023, there were about 1,400 dental clinics in Minnesota.
- It is unknown how many of these are classified as critical access dental clinics and have an Education Assistance Program Plan that would qualify for the proposed subtraction.
- The impact of the proposed subtraction is assumed to be negligible.
- Tax year impacts are allocated to the following fiscal year.

Number of Taxpayers: Unknown.

Minnesota Department of Revenue
Tax Research Division
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