

Minnesota's Public School Fee Law and Education Tax Credit and Deduction

This information brief summarizes state law governing authorized and prohibited public school fees,¹ describes the education expenses allowed under the state's education tax deduction and credit, and outlines student user fees in other states. It contains tables showing:

- the interrelationship between public school fees and the education tax credit and deduction, and
- student user fees for school services in other states.

Nonpublic schools are not subject to the public school fee law and may charge fees for any education-related programs, services, or goods.

Minnesota's Policy Governing Student User Fees for School Services

Minnesota provides a free public school education consistent with state constitutional requirements.² Districts may charge only those fees authorized in statute and must hold a hearing before imposing fees that are neither authorized nor prohibited by statute. Under the state's public school fee law, school districts cannot deny students an education based on students' inability to furnish books or other educational supplies needed to graduate from high school or complete other related educational requirements. School districts may not suspend or exclude students or withhold students' grades or diplomas for failing to pay school fees. School districts may accept voluntary contributions and may charge fees for extracurricular and noncurricular activities, or activities that supplement a class or educational program.³ School

districts deposit the proceeds from extracurricular and noncurricular fees in the “undesignated-unreserved” portion of the district’s general fund.

Authorized Public School Fees

School districts may require students to pay for certain specified school-related costs.⁴ Such school-related costs include fees for school uniforms, extracurricular activities, security deposits, personal athletic equipment, supplementary field trips, voluntary student insurance, musical instruments, student publications, graduation announcements, class rings, postsecondary instructional programs excluding adult basic education programs for students under age 21 or unable to pay,⁵ and personal stationery supplies. In addition, school boards may charge fees for lost or destroyed textbooks, workbooks, and library books if the school district annually informs parents and students about its fee policy regarding lost and destroyed books.⁶ School districts must hold a public hearing before imposing a fee that is neither authorized nor prohibited by statute.⁷ School districts may waive fees for economically disadvantaged students.

Prohibited Public School Fees

Because the state makes a free public school education available to all eligible students,⁸ school boards are prohibited from charging fees for necessary goods and services.⁹ Such necessary goods and services include instructional materials and supplies, required library books, required school activities, graduation caps and gowns, lockers, and student transportation to and from school for which aid or a levy is authorized. School boards must not charge a bus fee to students who live more than two miles from school but may charge a bus fee to students who live within two miles of school and wish to ride the school bus. Although school districts may not withhold the grades or diplomas of students who fail to pay fees, districts may seek court action to collect unpaid fees. It is not clear whether remedial instruction constitutes supplemental education, where a fee is permitted, or core curricula, where a fee is prohibited.¹⁰

Advantages and Disadvantages of Charging Student Fees

Student user fees generate revenues for school districts. They also can present concerns for school officials and state policymakers regarding equity in generating and allocating funds, accountability, and taxpayer support of school funding.

Supporters of user fees argue that fees are more acceptable than general tax increases because people who use fee-subsidized services help pay for them. The absence of fees, they say, would force school officials to eliminate entire extracurricular or enrichment programs that are important but cannot be funded with current levels of state aid or local tax revenues. By requiring students to pay participation fees for extracurricular activities, for example, a district can generate additional revenue that it can use to help offset a budget shortfall in an extracurricular activity or to help pay for new extracurricular activities not funded by a district.

Opponents of user fees argue that fees undermine the notion of a free public education by diminishing students’ equal access to education, students’ self worth, and equity among taxpayers. Fiscal inequities can arise when parent-teacher associations in neighboring schools

are not equally successful in using fees to raise funds to supplement classroom resources. Inequities also can arise when affluent school districts are able to charge fees and thus spend at above-average levels and widen the gap in available resources with less wealthy districts. In addition, although fee-generated revenues rarely produce large amounts of money compared to other state and local funding sources, they may affect public support for tax levies and bond issues. Opponents say that while a law may waive fees for students who qualify for subsidized meals, fee waivers may separate students based on economic status and leave many students and their parents who are ineligible for fee waivers also unable to pay. Fees may vary widely between school districts.

Income Tax Deduction and Credit for Education-related Expenses

Minnesota's income tax features both a deduction and a refundable credit for education-related expenses. The deduction has been in effect since 1955 and allows parents to subtract from their taxable income up to \$2,500 for qualifying expenses on behalf of each child in grades 7 to 12, and up to \$1,625 for each child in grades K to 6.¹¹ Before 1997, qualifying expenses for the deduction were limited to tuition, transportation, textbooks, and instructional materials. In 1997, the legislature expanded the list of qualifying expenses to include tutoring, academic summer school and camps, and up to \$200 of the cost of a computer or education-related software. The tax benefit of the deduction depends on the taxpayer's marginal tax rate. A filer in the 7.85 percent bracket with a \$2,500 deduction benefits from a tax reduction of \$196.25.¹² A filer with no taxable income does not benefit from the deduction.

The income tax credit for education-related expenses first took effect in tax year 1998.¹³ Beginning in tax year 2002, the credit was reduced to 75 percent of qualifying expenses,¹⁴ while in 1998 to 2001 it equaled 100 percent of expenses. The maximum credit equals \$1,000 per child. Prior to 2005, the maximum credit per family was \$2,000, effectively limiting the credit to two children per family. The 2005 Legislature eliminated this so-called family cap and allowed families to claim the \$1,000 credit for an unlimited number of children in grades kindergarten through 12.¹⁵ Families with incomes under \$33,500 may claim the maximum credit.¹⁶ The credit is phased out for families with incomes over \$33,500.¹⁷ The phaseout extends to \$37,500 for families claiming the credit for one or two children and by an additional \$2,000 for each additional child for whom the credit is claimed. Taxpayers may claim the credit for all expenses allowed under the deduction, with the exception of nonpublic school tuition. In contrast to a deduction, which reduces taxable income, a tax credit directly reduces tax liability. The credit is refundable, meaning that any amount of credit that exceeds tax liability is paid to the claimant as a refund. As a result, a parent who qualifies for a \$1,000 refundable tax credit will enjoy a tax reduction or direct refund of \$1,000, regardless of the taxpayer's actual liability.

Relationship of Public School Fee Law and Education Deduction and Credit

Public schools are authorized to charge for some of the education-related expenses that qualify for the education deduction and credit. They are prohibited from charging for other qualifying expenses. Since the credit provides a 75-percent refund of up to \$1,000 per child for low-income families, public schools may consider increasing their use of authorized fees as a revenue-raising

tool with only a 25-percent cost to the parents. Table 1 summarizes education expenses for which fees are authorized and prohibited, and those that qualify for the tax deduction and credit.

Table 1 Minnesota Public School Fees and Education Deduction/Credit		
	Deduction/Credit Allowed	Deduction/Credit NOT Allowed
Public School Fees Authorized for	<ul style="list-style-type: none"> ▶ Instructional program of academic summer school/camp, if not required for graduation ▶ Transportation to and from school that is not reimbursed by aid/levy ▶ Clothing for physical education used specifically and exclusively for school physical education program ▶ Rental and purchase of musical instruments ▶ Shop, etc., materials for products that students get to keep and that exceed minimum course requirements ▶ Computer hardware and software, if not required for graduation ▶ Driver's education ▶ Community education programs, including all-day kindergarten ▶ Personal stationery supplies 	<ul style="list-style-type: none"> ▶ Uniforms ▶ Optional class trips and field trips ▶ Class rings, yearbooks, graduation announcements ▶ School uniforms ▶ Transportation to extracurricular events
Public School Fees Prohibited for	<ul style="list-style-type: none"> ▶ Tuition for regular instruction (deduction only) ▶ Instructional program of academic summer school/camp, if required for graduation ▶ Transportation to and from school that is reimbursed by aid/levy ▶ Required nonreligious textbooks ▶ Shop, etc., materials required for a course 	<ul style="list-style-type: none"> ▶ Graduation caps, gowns, diplomas ▶ Required class trips and field trips ▶ Fees for locker rental
Unclear if Fees Authorized	<ul style="list-style-type: none"> ▶ Remedial tutoring ▶ Calculators for students' use 	

Student User Fees in Other States

Of the states that explicitly permit school districts to charge user fees, about one-half allow districts to assess fees for academic materials such as workbooks and textbooks that directly

relate to schools' core educational programs. Charges for damages to textbooks and equipment are the most commonly assessed fees in these states. A number of these states permit schools to charge students for participating in clubs, athletic programs, laboratory experiments and field trips, enrolling in driver's education courses and summer school, or using workbooks, pencils, paper, eye and ear protective devices, the school parking lot, and, sometimes, required textbooks.

A number of states, which tend to have lower per pupil expenditures than other states, charge students for academic materials. Many states that allow fees were in the bottom of per pupil expenditures nationwide; about 40 percent were in the bottom quarter; and about 2 percent were in the top quarter.

In addition to the fees for core curriculum shown in Table 2, state courts in California and North Dakota have upheld student bus fees, which sprawling school districts use to defray transportation costs. The practice of charging school fees for general education costs conflicts with Minnesota's policy of making available a free public education to all eligible students.

Table 2
Student Fees in Other States

State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Alabama	No	No	Employers who provide a program that enhances employees' basic skills up to the 12th grade level, receive a tax credit of 20% of the cost of the program	Yes, for students with disabilities
Alaska	No	No	No	No
Arizona	No	No	Up to \$500 in income tax credits (\$1,000 for married filers) for donating money to nonprofit groups that provide scholarships to attend private schools Also up to \$200 tax credit (\$400 for married filers) for money given to public schools to support extracurricular activities that may require fees	No
Arkansas	No	No	No	No
California	No	No	No	No
Colorado	Yes, fees allowed for textbook rental and damage deposit	No	No	No
Connecticut	No	No	No	Demonstration scholarship program enacted in 1972 but never funded
Delaware	No	No	No	No
D.C.	No	No	No	No
Florida	No	No	No (credit allowed for corporate contributions to nonprofit scholarship-funding organizations)	No

Table 2 Student Fees in Other States				
State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Georgia	No	No	Up to \$1,000 in income tax credits (\$2,500 for married joint filers) for donations to nonprofit groups that provide scholarships to attend private schools; credit also allowed for corporate contributions	Yes, for disabled students to attend a qualified private school
Hawaii	No	No	No	No
Idaho	No	No	No	No
Illinois	Yes, fees allowed for textbooks; waivers required for low-income students.	No	25% of qualified education expenses (in excess of \$250), up to \$500	No
Indiana	Yes, fees allowed for textbook rental	No	No	No
Iowa	Yes, fees allowed for textbooks	No	Credit allowed for each dependent for 25% of first \$1,000 paid for tuition and textbooks (at nonprofit K-12 schools) Credit allowed equal to 65% of contributions to nonprofit scholarship-funding organizations	No
Kansas	Yes, fees allowed for textbooks	No	No	No
Kentucky	Yes, fees allowed for textbooks	No	No	No
Louisiana	No	No	Credit allowed for 50% of nonpublic school tuition, homeschooling expenses, and public school supplies, up to \$5,000 per student, beginning in tax year 2009	No
Maine	No	No	No	Rural districts unable to maintain a public high school send secondary students to private secular schools. Program is not

Table 2 Student Fees in Other States				
State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
				primarily intended to expand students' school choice.
Maryland	No	No	No	No
Massachusetts	No	No	No	No
Michigan	No	No	No	No
Minnesota	No	Deduction from Minnesota taxable income of up to \$1,625 for each child in grades K-6; \$2,500 for each child in grades 7-12	Refundable income tax credits of \$1,000/child for low-income families for K-12 education expenses (credit is phased out for families with income over \$33,500)	No
Mississippi	No	No	No	No
Missouri	No	No	No	St. Louis has two privately funded voucher programs
Montana	No Some districts with budget shortfalls may construe the authorizing statute to allow charging fees for science labs and vocational education classes	No	No	No
Nebraska	No	No	No	No
Nevada	No	No	No	No
New Hampshire	No	No	No	No
New Jersey	No	No	No	No
New Mexico	No	No	No	No
New York	No	No	No	No

Table 2
Student Fees in Other States

State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
North Carolina	No	No	No	No
North Dakota	No	No	No	No
Ohio	No	No	No	U.S. Supreme Court held Cleveland voucher program constitutional. Low-income families receive tuition vouchers of up to \$2,500 at a private or religious school and up to \$360 in tutorial aid. Students may also receive vouchers if they attend schools in "academic watch" or "academic emergency."
Oklahoma	No	No	No	No
Oregon	No	No	No	No
Pennsylvania	No	No	No (credit allowed for corporate contributions to nonprofit scholarship-funding organizations)	No
Rhode Island	No	No	No (credit allowed for corporate contributions to nonprofit scholarship-funding organizations)	No
South Carolina	No	No	No	No
South Dakota	No	No	No	No
Tennessee	Yes, districts can request but not require fees for core curriculum	No	No	No
Texas	No	No	No	No

Table 2
Student Fees in Other States

State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Utah	Yes, textbooks. Districts required to have waiver policies	No	No (except that there is a nonrefundable credit for 25% of expenses, up to \$100, paid for tutoring a disabled dependent)	Yes, up to \$5,700 if under the income eligibility guideline or disabled
Vermont	No	No	No	Voucher program in effect in rural areas unable to maintain a public high school. Students may attend nearby public or secular private schools. Program is not primarily intended to expand students' educational choices.
Virginia	No	Allows a deduction from federal adjusted gross income for contributions to Public School Construction Grants Program and Fund (if not already deducted on federal return) and 20% of tuition costs that K-12 school teachers incur for attending required continuing teacher education classes (if not reimbursed and not already deducted on the federal return)	No	No
Washington	Yes, districts may charge fees but must provide free textbooks	No	No	No
West Virginia	No	No	No	No

Table 2 Student Fees in Other States				
State	Permits User Fees on Core Curriculum	Tax Deduction	Tax Credit	Vouchers
Wisconsin	Yes, for books	No	No	The Milwaukee Parental Choice Program allows eligible resident students to attend any private or parochial school in Milwaukee at state expense if family income is not greater than 2.2 times the poverty level and certain enrollment requirements are met
Wyoming	No. While fees aren't generally prohibited, districts must loan textbooks free of charge	No	No	No

House Research Department

For more information about education laws, visit the education area of our web site, www.house.mn/hrd/hrd.htm.

ENDNOTES

¹ The state's public school fee law appears in [Minnesota Statutes, sections 123B.34 to 123B.39](#) (formerly [sections 120.71 to 120.76](#)).

² [Article XIII, section 1](#), of the [Minnesota Constitution](#) requires the legislature to establish a general and uniform system of public schools, using taxes or other means, that will provide "a thorough and efficient system of public schools throughout the state."

³ [Minnesota Rules, part 3500.1050](#), defines the terms curricular, cocurricular, noncurricular, extracurricular, and supplementary for purposes of the public school fee law.

"Curricular" means those required or elective portions of the school program for which credit is granted.

"Cocurricular" means school-sponsored and directed activities at school and public events that allow students to participate individually or in groups to improve their skills. Such activities are: for credit or required for graduation; conducted during school hours or established by school authorities outside school hours; directed or supervised by instructional staff in a learning environment similar to that in courses offered for credit; or primarily or totally funded by public moneys for general instruction purposes under the direction and control of the school board. Local general funds subsidize deficits resulting from these activities.

"Noncurricular" means those activities that include direct and personal services for students' enjoyment that an adult or staff member manages and generally operates. Such activities are: not for credit or required for graduation; usually conducted outside of school hours; determined primarily by the interest of students and their parents, with guidance from a staff member of other adult; and self-sustaining activities paid for through dues, admissions, or other student fund raising events. Salary costs and the indirect costs of using a school facility may be funded by public moneys. Extracurricular and supplementary activities come within the definition of noncurricular activities.

"Extracurricular" and "supplementary" have the same meaning as "noncurricular."

⁴ [Minnesota Statutes, section 123B.36](#), lists school-related costs for which school boards may charge fees.

⁵ [Minnesota Statutes, section 123B.39](#), allows school boards to charge reasonable fees for goods and services provided in connection with postsecondary instructional programs, including vocational technical, veteran farmer cooperative training, community education programs, and continuing education and evening school programs, excluding adult basic education programs for participants under age 21 or unable to pay. See [Minnesota Statutes, section 124D.52](#), subdivision 1.

⁶ [Minnesota Statutes, section 123B.37](#), allows school boards to charge fees for textbooks, workbooks, and library books that students lose or destroy.

⁷ [Minnesota Statutes, section 123B.38](#), allows school boards, after holding a public hearing, to impose fees that are neither specifically authorized nor prohibited in law.

⁸ [Minnesota Statutes, section 123B.35](#), states in part that "[i]t is the policy of the state of Minnesota that public school education shall be free and no pupil shall be denied an education because of economic inability to furnish educational books and supplies necessary to complete educational requirements necessary for graduation."

⁹ [Minnesota Statutes, section 123B.37](#), lists school-related costs for which school boards are prohibited from charging fees.

-
- ¹⁰ In *Agostini v. Felton*, 117 S.Ct.1997 (1997), Justice Souter, writing for the minority, maintained that Title I compensatory services providing remedial instruction to economically disadvantaged public and nonpublic students made it impossible to draw any line between supplemental and general education.
- ¹¹ [Laws 1997, 1st special session, chapter 4, article 13](#), increased the amount of the deduction from \$1,000 to \$2,500 for children in grades 7 to 12, and from \$650 to \$1,625 for children in grades K to 6.
- ¹² In tax year 2009, the 7.85-percent bracket will apply to income over \$131,970 for married couples filing joint returns and to income over \$112,420 for single parents.
- ¹³ [Laws 1997, 1st spec. sess., ch. 4, art. 13](#).
- ¹⁴ [Laws 2001, 1st spec. sess., ch. 5, art. 9, § 11](#).
- ¹⁵ [Laws 2005, 1st spec. sess., ch. 3, art. 3](#).
- ¹⁶ The income measure used is the same as that used for determining the property tax refund and the child care credit; it is a broad measure that includes welfare benefits, tax-exempt interest, and nontaxable Social Security.
- ¹⁷ During 1998, the first year the credit was in effect, only families with incomes under \$33,500 were eligible. The current phaseout was implemented in 1999 ([Laws 1999, ch. 243, art. 2, § 14](#)) and modified when the family cap was eliminated in 2005 ([Laws 2005, 1st spec. sess., ch. 3, art. 3](#)).