

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Working Family Credit

March 14, 2014

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S. F. 2484 (Dziedzic) As Proposed to be Amended (SCS2484A-1)

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
			(000's)	
General Fund	\$0	(\$48,200)	(\$49,200)	(\$50,000)

Effective beginning with tax year 2014

### EXPLANATION OF THE BILL

The bill as proposed to be amended would increase the working family credit for most qualifying claimants. It would do so in several ways: the bill increases the maximum credit amount by increasing the percentage of income used to calculate the credit and the bill removes the existing two-tier calculation for taxpayers with children, allowing the first tier calculation to extend to higher income levels. All income amounts are indexed for inflation beginning in tax year 2015. For married taxpayers filing jointly, the phase-out threshold is increased by \$5,000, which is indexed for inflation from 2009 and is \$5,430 for tax year 2014.

### REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.2) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2014. The model uses a stratified random sample of tax year 2011 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.

**Number of Taxpayers:** About 331,000 tax returns would be affected in tax year 2014, of which about 16,000 are newly eligible claimants.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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