

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Citizenship Credit

May 18, 2016

Analysis Revised for Additional Information

Department of Revenue

Analysis of S.F. 3478 (Hawj) As Proposed to be Amended (SCS3478A-1)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	F.Y. 2016	F.Y. 2017	F.Y. 2018	F.Y. 2019
		(000's)		
General Fund*	\$0	(\$1,000)	(\$1,100)	(\$1,100)

* The U.S. Citizenship and Immigration Services has proposed to increase the N-400 application fee to \$640 and reduce the fee to \$320 for persons between 150% and 200% of the federal poverty guideline. The biometric fingerprint fee of \$85 would not change. If and when the proposed fees are adopted, the credit would be \$405 per person and total credits would be \$600,000 per year.

Effective beginning tax year 2016.

EXPLANATION OF THE BILL

The bill would provide a refundable individual income tax credit for qualified citizenship expenses. The maximum credit per qualified citizen applicant is \$700. Qualified citizenship expenses are filing fees, including both application and biometric fingerprint fees, paid to the U.S. Citizenship and Immigration Services in connection with an N-400 naturalization application. The credit would be allowed to taxpayers whose total income of the individual and the spouse is at or below 200% of the federal poverty guideline (\$48,600 for a family of four in 2016). A taxpayer could claim the credit for each year the expenses were incurred for the taxpayer, spouse, and qualifying dependents. For applicants who were not full-year Minnesota residents, the credit would be apportioned based on the percentage of income attributable to Minnesota.

As proposed to be amended, an applicant who qualified for a federal waiver of qualified citizenship expenses would not be eligible for the credit.

REVENUE ANALYSIS DETAIL

- The N-400 application fee of \$595 is waived at the federal level for persons receiving state or federal means-tested benefits, having household income at or below 150% of the federal poverty line, or facing financial hardship. Persons with the waived application fee must still pay the biometric fingerprint fee of \$85.
- According to the Office of Immigration Statistics, 10,526 immigrants in Minnesota became naturalized U.S. citizens in 2013. This represents a 3.5% average annual increase since 2004, which is assumed to continue.
- That number was increased by 13% to account for applicants who were not granted citizenship, based on data from the Office of Immigration Statistics.

REVENUE ANALYSIS DETAIL (Cont.)

- According to the U.S. Citizenship and Immigration Services, about 11% of applicants fall between 150% and 200% of the federal poverty guideline and would be eligible for the credit.
- The credit for 2016 is assumed to be \$680, based on the current application fee and biometric fingerprint fees. The average credit is assumed to be at the maximum of \$700 starting in 2017.
- Tax year impact is allocated to the follow fiscal year.

Number of Taxpayers: An estimated 1,450 individuals in tax year 2016.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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