



**INDIVIDUAL INCOME TAX
Working Family Credit Expansion
for Taxpayers with No Children**

March 5, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1620 (Gomez), As Proposed to be Amended (H1620A1)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
General Fund	(\$17,400)	(\$17,900)	(\$18,100)	(\$18,500)

Effective beginning with tax year 2019.

EXPLANATION OF THE BILL

The bill would change the working family credit for taxpayers with no children as shown in the following table.

**Tax Year 2019 Working Family Credit
Taxpayers with No Eligible Children**

	Eligible Earned Income	Credit Rate	Phase-out Begins*	Phase-out Rate
Current law	\$6,640	2.10%	\$8,730	2.01%
Proposal	\$7,500	4.00%	\$11,500	3.30%

*Phase-out threshold is \$5,840 higher for married taxpayers filing a joint tax return.

All dollar amounts are adjusted for inflation starting in tax year 2020. The federal earned income or adjusted gross income limitations that determine eligibility for the credit no longer apply, because eligibility for the Minnesota credit extends beyond the income limits for the federal earned income tax credit.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 6.7) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2019. The model uses a stratified sample of 2016 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts are allocated to the following fiscal year.

Number of Taxpayers: About 139,600 tax returns would be affected in tax year 2019. The average reduction in tax would be about \$125. The number of returns eligible for the credit would increase by about 21,000.

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)