

Minnesota Department of Revenue

Revenue Notice # 25-03: Individual Income Tax – Minnesota Child Tax Credit – Reconciliation of Advance Payments

This Revenue Notice states the Minnesota Department of Revenue's positions on reconciliation of advance payments of the Minnesota Child Tax Credit. Under certain conditions, a taxpayer may receive advance payments of the Minnesota Child Tax Credit in an amount greater than the total credit for which they were eligible and must repay the excess advance payment amount.

Background

Pursuant to *Minnesota Statutes*, section 290.0661, subdivision 8(a), the commissioner of revenue is responsible for establishing the process to allow Minnesota taxpayers to elect to receive advance payment of the Minnesota Child Tax Credit. The commissioner also has authority to prescribe the "content, format, and manner" of all returns and other forms required to be filed under a law administered by the commissioner. *Minnesota Statutes*, sections 289A.08, subdivision 17, and 270C.30.

A taxpayer's advance payment of the Minnesota Child Tax Credit is equal to 50 percent of their Minnesota Child Tax Credit for the previous taxable year, excluding any child who will no longer be considered a qualifying child in the subsequent taxable year, such as a child attaining 18 years of age. If a taxpayer's advance payments exceeded the credit the taxpayer is eligible to receive for the taxable year, the taxpayer's liability for tax increases by the difference between the amount of advance payments received and the credit amount. *Minnesota Statutes*, section 290.0661, subdivision 8(b). A taxpayer may receive repayment protection, under the Minnesota minimum credit, equal to 50 percent of the credit received in the prior year if certain conditions are met. *Minnesota Statutes*, section 290.0661, subdivision 9.

A taxpayer's allowed credit means their child tax credit or minimum credit under *Minnesota Statutes*, section 290.0661, subdivisions 2 or 9, respectively.

Department Positions

The department takes the following positions regarding reconciliation of the advance payments of the Minnesota Child Tax Credit:

1. A taxpayer who elects to receive advance payments of their Minnesota Child Tax Credit must file an income tax return for the year the election was made and compare the advance payments received to their allowed credit (see Position 3 for an example of a taxpayer that received advance payments exceeding their allowed credit);
2. Under *Minnesota Statutes*, section 289A.08, subdivision 1(e), a taxpayer that elects to receive advance payments of their Minnesota Child Tax Credit in a tax year, receives advance payments, changes or stops their election to receive advance payments, or whose election to receive advance payments was denied by the department, must file an income tax return for the year for which the election was made;

3. If a taxpayer received total advance payments of their Minnesota Child Tax Credit greater than the total credit for which they were allowed, they must repay the excess advance payment amount. The excess advance payment amount will be added to their tax liability for the tax year and will reduce their refund or increase their tax due. For example, if a taxpayer changes their filing status or their residency to another state after electing to receive advance payments of their Minnesota Child Tax Credit, they must repay any excess advance payment amount;
4. Advance payment of the Minnesota Child Tax Credit is not a refund or overpayment of tax at the time it is paid; and
5. If a taxpayer must repay a portion or all of their advance payment of their Minnesota Child Tax Credit, they may be subject to applicable penalties and interest including but not limited to late payment and understatement penalties.

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