



May 4, 2021

Representative Paul Marquart
Chair, House Taxes Committee
597 State Office Building
St. Paul, MN 55155

Dear Chair Marquart and House Taxes Committee members:

As you review the tax conformity issues related to the American Rescue Plan (ARP), I would like to take the opportunity to thank you for including Working Family Credit provisions in House File 991 that mirror some positive features of the ARP. These provisions are important components of a response to the pandemic and economic downturn to ensure that all Minnesotans can be healthy, safe, and economically secure. They also contribute to building a more equitable recovery by addressing disparities in economic opportunity that existed before the pandemic hit.

The American Rescue Plan includes a strong expansion of the Earned Income Tax Credit (EITC) for lower-income workers who do not have dependent children in the home. This group of workers has less access to other kinds of economic assistance and is the only group that the federal tax code pushes deeper into poverty. In terms of the EITC as it has been structured, these workers lose eligibility at extremely low income levels, qualify for credits that are disproportionately small even when taking family size into account, and face arbitrary age restrictions.

The **American Rescue Plan makes the EITC for workers without children more effective** through several changes:

- It increases the income limit to qualify from about \$16,000 to at least \$21,000;
- It increases the size of the EITC that these workers can qualify for;
- It expands eligibility to include younger adults ages 19 to 24, and people 65 and older.

The Center on Budget and Policy Priorities finds that the top occupations that will benefit from this expansion include cashiers, food preparers and servers, and home health aides. These and many others who work for low wages are the essential workers who have kept our economy running during the pandemic.

More than half of all states, including Minnesota, have credits like our Working Family Credit that are based on the federal Earned Income Tax Credit (EITC), and build on the EITC's documented success in supporting work, reducing poverty, and improving the health and education of children.

House File 991 follows the ARP's improvements in the EITC by similarly providing a larger Working Family Credit for low-income workers without dependent children in the home, which makes their

credits more proportional to other eligible families. This builds on the past good work of this committee to make sure the Working Family Credit works for all kinds of lower-income workers and their families.

We also thank you for including in House File 991 a provision to **allow taxfilers to file for their 2020 Working Family Credit based on their 2019 or 2020 earned income.** This mirrors a similar provision in the federal Taxpayer Certainty and Disaster Relief Tax Act. Lower-income workers were much more likely to lose jobs and wages as a result of covid. This provision would prevent additional financial hardship for WFC filers who lost incomes during the pandemic.

In terms of mirroring positive federal changes, we encourage you in addition to consider a related provision in Governor Walz's supplemental budget to **expand Working Family Credit eligibility to 19- and 20-year-old workers.** This would build on Minnesota's action in 2019 that extended eligibility to workers ages 21 to 24.

The more than 300,000 Minnesota households that benefit from our current Working Family Credit live in every corner of our state: about half live in Greater Minnesota and half in the seven-county metro area. Their communities benefit when these Minnesota workers and their families spend their tax credits at local businesses.

Because it boosts the incomes of workers earning lower wages, the Working Family Credit contributes to narrowing racial disparities in economic well-being. People of color and Indigenous people in Minnesota are disproportionately likely to be earning low incomes, due to structural and historic barriers to economic security.

Thank you again for your work to ensure our tax code meets Minnesotans' needs today and creates a stronger, more equitable recovery.

Sincerely,

Nan Madden
Director
Minnesota Budget Project

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, identifies and promotes public policies so that economic security is available to all Minnesotans, regardless of who they are or where they live.