

March 25, 2026

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F.4321 (Zeleznikar)

	<u>Fund Impact</u>			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	\$0	(\$5,000)	(\$5,400)	(\$5,800)

Effective beginning in tax year 2026.

EXPLANATION OF THE BILL

Current Law:

Exclusion for Dependent Care Expenses. Employer-provided dependent care assistance is excluded from an employee’s income if the assistance is provided through a formal, written plan. The maximum exclusion was increased from \$5,000 to \$7,500 by P. L. 119-21 beginning with tax year 2026.

The larger exclusion reduces wages included in federal adjusted gross income, which is the starting point to calculate Minnesota individual income tax. Minnesota has not adopted the increase in the federal exclusion.

Proposed Law: The bill would adopt the federal enhancement of the dependent care assistance program for Minnesota income tax purposes.

REVENUE ANALYSIS DETAIL

- The estimate is based on the estimates of the federal impacts prepared by the staff of the Joint Committee on Taxation, dated July 2025.
- The estimate was apportioned to Minnesota based on information relevant to that provision.
- The estimate was adjusted for the difference between federal and state tax rates and federal and state fiscal years.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>