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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2197

03/12/2025 Authored by Robbins, Davids, Altendorf, Scott, Zeleznikar and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; eliminating the child credit marriage penalty
1.3 and increasing the phaseout; limiting the working family credit based on earned
1.4 income to taxpayers with qualifying children; amending Minnesota Statutes 2024,
1.5 sections 290.0661, subdivisions 4, 7; 290.0671, subdivisions 1, 7.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2024, section 290.0661, subdivision 4, is amended to read:

1.8 Subd. 4. **Phaseout.** The credits under subdivision 2 and section 290.0671 are phased
1.9 down jointly. The combined amount of the credits is reduced by 12 percent of earned income
1.10 or adjusted gross income, whichever is greater, in excess of the phaseout threshold. The
1.11 phaseout threshold equals:

1.12 (1) ~~\$35,000~~ \$75,000 for a married taxpayer filing a joint return; or

1.13 (2) ~~\$29,500~~ \$37,500 for all other filers.

1.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
1.15 31, 2024.

1.16 Sec. 2. Minnesota Statutes 2024, section 290.0661, subdivision 7, is amended to read:

1.17 Subd. 7. **Inflation adjustment.** (a) ~~For taxable years beginning after December 31,~~
1.18 ~~2025,~~ The commissioner of revenue must annually adjust for inflation the credit amount in
1.19 subdivision 3 as provided in section 270C.22. The adjusted amounts must be rounded to
1.20 the nearest \$60. The statutory year is taxable year 2025.

(b) ~~For taxable years beginning after December 31, 2023,~~ The commissioner of revenue must annually adjust for inflation the phaseout thresholds in subdivision 4, as provided in section 270C.22. The statutory year is taxable year ~~2023~~ 2025.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2025.

Sec. 3. Minnesota Statutes 2024, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that:

(1) a taxpayer with no qualifying children who has attained the age of 19, but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit;

(2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted gross income exceeds the income limitation under section 32 of the Internal Revenue Code; and

(3) section 32(m) of the Internal Revenue Code does not apply.

(b) A taxpayer's working family credit equals four percent of the first ~~\$8,750~~ \$9,480 of earned income.

(c) The credit under this section is increased by:

(1) ~~\$925~~ \$1,000 for a taxpayer with one qualifying older child;

(2) ~~\$2,100~~ \$2,270 for a taxpayer with two qualifying older children; or

(3) ~~\$2,500~~ \$2,710 for a taxpayer with three or more qualifying older children.

(d) The credit under this section is phased out jointly with the credit under section 290.0661, subdivision 4. For a taxpayer with one or more qualifying older children who did not qualify for the credit under section 290.0661, the phaseout rate equals nine percent.

(e) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter

3.1 over federal adjusted gross income. For purposes of this paragraph, the following clauses
3.2 are not considered "earned income not subject to tax under this chapter":

3.3 (1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

3.4 (2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

3.5 (3) income derived from an Indian reservation by an enrolled member of the reservation
3.6 while living on the reservation.

3.7 (f) The credit based on earned income under paragraph (b) is limited to taxpayers with:

3.8 (1) a qualifying older child; or

3.9 (2) a qualifying child, as defined in section 290.0661, subdivision 1.

3.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.11 31, 2024.

3.12 Sec. 4. Minnesota Statutes 2024, section 290.0671, subdivision 7, is amended to read:

3.13 Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned
3.14 income amounts used to calculate the credit and the qualifying older child amounts in
3.15 subdivision 1 as provided in section 270C.22. The statutory year is taxable year ~~2023~~ 2025.

3.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.17 31, 2025.