

March 19, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2502 (Rehm)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	(\$63,900)	(\$69,500)	(\$73,100)	(\$77,200)

Effective beginning with tax year 2025.

EXPLANATION OF THE BILL

Current Law: The child tax credit is a refundable credit equal to \$1,750 for each qualifying child. The working family credit equals 4% of the first \$9,480 of earned income in tax year 2025, with additional amounts for qualifying older children.

The credits are phased out jointly by 12% of earned income or adjusted gross income, whichever is greater, in excess of a threshold. (For taxpayers with qualifying older children who do not qualify for the child credit, the phase-out rate is 9%). The phase-out threshold for tax year 2025 is \$37,910 for married joint filers and \$31,950 for all other filers. The phase-out thresholds are adjusted annually for inflation. The child credit amount will be adjusted for inflation beginning in tax year 2026.

Proposed Law: The proposal would increase the phase-out threshold for married joint filers to twice the amount for other filers. For tax year 2025, the married joint phase-out threshold would be \$63,900. The threshold for other filers is unchanged at \$31,950. The amounts would be annually adjusted for inflation with a statutory year of 2025, starting tax year 2026.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 7.5) 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 2025. The model uses a stratified sample of tax year 2022 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 60,900 married joint returns would have an average decrease in tax of \$1,050 per return for tax year 2025.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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