

To: Paul Marquart, Minnesota Commissioner of Revenue

In response to a request from the Minnesota Commissioner of Revenue, this memo presents estimates of the antipoverty effects associated with a state-level child tax credit in Minnesota according to the parameters described below.

Proposal

1. \$1,750 credit per child ages 0-17, with no cap on the number of children. Fully refundable.
2. \$350 earned income credit (4% of the first \$8,750)
3. An additional credit for “older” dependent children 18 and older (including college students) equal to \$925 for the first older child, \$2,100 for the second older child, and \$2,500 for the third older child. These are needed to hold harmless the people with older dependents who claim the current state earned income credit.
4. Combined amount of the credits is phased out by 12% of earned income/AGI above \$35,000 (married joint) or \$29,500.

Table 1 presents the predicted antipoverty effects of the two proposals.

Table 1. Predicted anti-poverty impacts associated with Minnesota child tax credit proposals

	Minnesota Proposal
Pre-reform child poverty rate	6.9%
Child poverty rate with proposed credit	4.6%
Percentage point change	2.3
Percent difference	33.3%

Source: Center on Poverty and Social Policy at Columbia University. See methods section for additional details.

Note: Due to rounding, some results may not correspond with the separate figures.

We caution that the Minnesota sample size in our dataset (which combines three years of Current Population Survey Data) is small, as is the sample size of Minnesota residents and children in poverty (498 and 139, respectively). Given this, our estimates should be interpreted with caution and are less precise than they would be with a larger sample.

Methods

Data for the antipoverty simulation are pooled from 3 years of the Current Population Survey (2017 – 2019). To adjust for change in economic conditions, inflation, and benefit level between these years and 2022, we adjust this underlying data using the method outlined in Collyer et al. (2022). The sample is limited to respondents from Minnesota. The analysis compares household resources and poverty rates, measured using the Supplemental Poverty Measure, before and after including income associated with the proposed state credit.

Citation

If citing these results, please note: Results produced by Center on Poverty and Social Policy at Columbia University at the request of Minnesota Commissioner of Revenue.