MN HOUSE RESEARCH

Memorandum

April 6, 2026

To Tax Committee Members

From Sean Williams, Legislative Analyst

Subject Modeling results for H.F. 4621, expansion of the child credit to $2,000

Executive summary

This memo contains modeling results for H.F. 4621, Rep. Rehm's bill to expand the child credit from $1,800 to $2,000 in tax year 2026. Modeling using the House Income Tax Simulation (HITS) model implies that the bill would increase credits by about $96,000,000 in tax year 2026, with 218,900 returns seeing an average change in credits of $439.

Background: House modeling capabilities

House Research can model some individual income tax proposals using the House Income Tax Simulation (HITS) model, version 7.6. The model uses a stratified sample of 2023 individual income tax returns, and forecasts changes in tax years 2023 to 2029 based on the February forecast from Minnesota Management and Budget (MMB).

The House, Senate, Department of Revenue (DOR), and MMB all use the same model to estimate certain income tax proposals, but DOR has a broader sample of high-income returns than the other agencies. This may result in differences between House Research modeling and DOR revenue estimates.

The model can only estimate tax policy changes if the data needed to model the provision is included on a tax return. All of the data used by the model comes from amounts that taxpayers entered on a state or federal income tax return.

HITS model estimates are not precise and are subject to several sources of error. The model relies on a sample of income tax records, which introduces sampling error into the estimates. Estimates for years outside of the sample year are based on the February economic forecast produced by MMB—this introduces forecasting error into the model. For some tax system components for which the model does not have precise data, the model uses imperfect assumptions about taxpayers to interpolate missing numbers; this process also introduces error.

House Research modeling results are preliminary, and cannot replace formal estimates from the Department of Revenue.

Modeling results

The table below shows my modeled estimate of the total change in credits under H.F. 4621, as well as the total tax benefit and average tax benefit. The results are broken out by adjusted gross income.

Table 1: Estimated Change in Credits by Adjusted Gross Income, H.F. 4621, Tax Year 2026

Adjusted Gross Income	Returns With Change	% of Returns With Change	Total Increase in Credit	Share of Total Benefit	Average Increase in Credit
Less than $10,000	19,500	7.0%	7,270	7.6%	$372
$10,000 to $30,000	63,200	14.2%	25,040	26.1%	$396
$30,000 to $50,000	80,600	18.1%	31,240	32.5%	$388
$50,000 to $75,000	41,600	8.3%	20,850	21.7%	$501
$75,000 to $100,000	11,200	3.3%	8,420	8.8%	$750
$100,000 to $125,000	1,900	0.8%	1,910	2.0%	$993
$125,000 to $150,000	900	0.4%	1,280	1.3%	$1,496
$150,000 to $250,000	0	0.0%	0	0.0%	$0
$250,000 and above	0	0.0%	0	0.0%	$0
Total	218,900	7.14%	96,000	100%	$439

Table 2: Estimated Change in Credits by Size of Change, H.F. 4621, Tax Year 2026

Size of Change	Number of Returns
$1-$24	400
$25-$49	200
$50-$99	700
$100-$249	86,400
$250-$499	70,600
$500-$749	36,700
$750-$999	13,500
> $1,000	10,400
Total w/Change	**218,900**
No Change	2,845,400

Estimates from the House Income Tax Simulation Model, version 7.6, based on a sample of records from tax year 2023.

SW/mc