

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3163
Version: As introduced

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Subject: Working family credit increase

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Modifies the working family credit by changing all four credit parameters:

- ▶ the maximum earned income,
- ▶ the credit rate,
- ▶ the phaseout threshold, and
- ▶ the phaseout rate.

The lowest income claimants would be eligible for larger credits and the credit would extend to higher incomes than under current law. Also makes the increased phaseout threshold for married couples filing jointly permanent; under current law the increase to the phaseout threshold only applies through tax year 2017.

Effective date: tax year 2016.

Claimants without qualifying children would be eligible for a larger maximum credit. The first table shows the credit parameters projected for tax year 2016 under current law and H.F. 3163, as well as the maximum credit and the income at which the credit is fully phased out for single and head of household filers. The phaseout threshold and the maximum income eligible would be \$5,550 higher for married couples filing joint returns, both under current law and under H.F. 3163.

Section

Claimants without qualifying children

	Current law	H.F. 3163
Maximum earned income eligible for credit	\$6,310	\$6,500
Credit rate	2.1%	3%
Maximum credit	\$133	\$195
Phaseout threshold	\$8,300	\$12,000
Phaseout rate	2.01%	3%
Maximum income eligible	\$14,893	\$18,500

Claimants with qualifying children would be eligible for the same maximum credit amounts as under current law, but the maximum credit would phase-in over a shorter income range, and phaseout over a longer income range. The second and third tables show the credit parameters projected for tax year 2016 under current law and H.F. 3163 for claimants with one and two or more qualifying children.

Claimants with one qualifying child

	Current law	H.F. 3163
Maximum earned income eligible for credit	\$11,350	\$8,350
Credit rate	9.35%	12.71%
Maximum credit	\$1,061	\$1,061
Phaseout threshold	\$21,620	\$21,620
Phaseout rate	6.02%	5.2%
Maximum income eligible	\$39,248	\$42,029

Claimants with two or more qualifying children

	Current law	H.F. 3163
Maximum earned income eligible for credit	\$18,610	\$13,700
Credit rate	11%	14.94%
Maximum credit	\$2,047	\$2,047
Phaseout threshold	\$25,640	\$25,640
Phaseout rate	10.82%	9.2%
Maximum income eligible	\$44,560	\$47,888