

**Subject** Working family credit tied to federal earned income credit

**Authors** Wazlawik

**Analyst** Sean Williams  
Christopher Kleman

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## Overview

Under current law, Minnesota's working family credit (WFC) is calculated using a state formula that is independent of the federal earned income tax credit (EITC) formula. H.F. 1465 would eliminate the Minnesota formula, and instead tie the state credit amount to the federal EITC. The bill would set the state credit to equal 75% of the federal credit.

The bill would expand the size of the WFC. In tax year 2016 (the most recent sample year for which data is available), Minnesota taxpayers claimed about \$249 million in working family credits and \$744 million in earned income tax credits. The tables below compare the state WFC formula parameters with the federal EITC parameters.

	Credit rate		Phaseout rate	
	EITC	WFC	EITC	WFC
No children	7.65%	\$139	7.65%	2.01%
1 child	34.0%	\$1,117	15.98%	6.02%
2 children	40.0%	\$2,156	21.06%	10.82%
3+ children	45.0%	\$2,156	21.06%	10.82%

	Maximum credit		Phaseout threshold		Income at which credit fully phased out	
	EITC	WFC	EITC	WFC	EITC	WFC
<b>Unmarried claimants</b>						
No children	\$529	\$139	\$8,650	\$8,730	\$15,570	\$15,667
1 child	\$3,526	\$1,117	\$19,030	\$22,770	\$41,094	\$41,330
2 children	\$5,828	\$2,156	\$19,030	\$27,000	\$46,703	\$46,926
3+ children	\$6,557	\$2,156	\$19,030	\$27,000	\$50,162	\$46,962
<b>Married claimants</b>						
No children	\$529	\$139	\$14,450	\$14,570	\$21,370	\$21,507
1 child	\$3,526	\$1,117	\$24,820	\$28,610	\$46,884	\$47,170
2 children	\$5,828	\$2,156	\$24,820	\$32,840	\$52,493	\$52,776
3+ children	\$6,557	\$2,156	\$24,820	\$32,840	\$55,952	\$52,776



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