

This publication describes Minnesota's marriage penalty credit, a nonrefundable credit designed to offset marriage penalties in the state's rate and bracket structure. More information on marriage penalties and the credit is available in House Research's [17-page report](#) on the topic.

Marriage Penalties

Married Minnesotans may file their state and federal income taxes using a joint return, which combines the income of both spouses and calculates a single tax liability for the couple. A couple filing jointly will rarely owe the same amount that they would owe if they filed separately as two single filers. The difference in liability stems from two features of the income tax—first, the income tax has increasing tax rates applying at higher tax brackets, and second, some credits and deductions have income limits.

A tax provision creates a marriage penalty when a married couple would pay more by filing a joint return (relative to filing two single returns). A tax provision creates a marriage bonus if filing a joint return would reduce the couple's taxes relative to filing two single returns. Minnesota's tax code has many policies that result in marriage penalties and bonuses. The total net effect of marriage on an individual's tax liability will vary greatly depending on their individual circumstances.

Minnesota's Marriage Penalty Credit

Minnesota's marriage penalty credit is a nonrefundable income tax credit designed to offset the marriage penalty in Minnesota's rate and bracket structure for taxpayers without children.

To calculate the credit, the "lesser-earning spouse"—defined as the spouse with less earned income—calculates the amount of tax the spouse would pay on that earned income if they filed as a single taxpayer (after subtracting the standard deduction for a single taxpayer). The spouse with greater earned income also calculates the tax the spouse would pay if they were to file as single, except all unearned income is assigned to the spouse with more earnings. The combined estimate of the tax each spouse would pay as a single taxpayer is compared to the amount of tax they owe when filing a joint return—if they owe more when filing a joint return, the couple is eligible for a credit equal to the difference.

Steps for Calculating the Marriage Penalty Credit

- 1) **Calculate the tax owed for a joint return:** A married couple filing a joint return calculates the tax owed under the rates and brackets for married joint taxpayers.
- 2) **Calculate the tax owed by each spouse if the spouse filed as single:** Each spouse calculates the tax they would owe if they filed a return as single. For the purposes of this calculation, the lesser-earning spouse uses only their earned income, and the spouse with greater earnings is assigned that spouse's earned income and the couple's combined unearned income.
- 3) **Compare the tax owed if the spouses filed as single, relative to the amount they owe if they filed a joint return:** If the combined amount of tax estimated under step 2 is less than the amount calculated under step 1, the couple receives a marriage penalty credit equal to the difference.

Limitations of the Marriage Penalty Credit

Minnesota's marriage penalty credit is only designed to offset marriage penalties on earned income in the state's rate and bracket structure, for taxpayers without children only. As a result, the credit does not reduce or offset marriage penalties caused by differences in unearned income, head of household filing status, or other features of the tax system such as credits and means-tested deductions.

Size and Distribution of the Marriage Penalty Credit

House Research modeling estimates that about 433,800 returns claimed about \$101.1 million in marriage credits in tax year 2023. The average credit was about \$233. This implies that about 27.0 percent of married joint taxpayers, and about 12.8 percent of all returns, benefit from the credit. A distributional analysis is presented below.

The table below shows the distribution of marriage penalty credits claimed in tax year 2023. Taxpayers making less than \$75,000 almost never receive any benefit from the credit. This is because to receive any benefit, taxpayers must earn enough to pay on the second tier of the income tax (because the progressive rate structure is the cause of the penalty). In tax year 2023, the year of the analysis below, a married couple filing jointly would need to earn around \$71,600 to receive any benefit from the credit; this amount is the standard deduction (\$27,650) plus the starting point of the second bracket for married taxpayers filing jointly (\$43,950).

Income Distribution of Minnesota Marriage Credits, Tax Year 2023

Adjusted Gross Income	Total Returns Benefiting	% of All Returns Benefiting	% of Joint Returns Benefiting	Total Tax Benefit (\$1,000)	Share of Total Benefit	Average Tax Savings
Less than \$10,000	<20	0.0%	0.0%	<\$10	0.0%	-
\$10,000 to \$30,000	<20	0.0%	0.0%	<\$10	0.0%	-
\$30,000 to \$50,000	0	0.0%	0.0%	\$0	0.0%	\$0
\$50,000 to \$75,000	1,000	0.2%	0.5%	\$30	0.0%	\$27
\$75,000 to \$100,000	39,300	10.8%	15.8%	\$4,310	4.3%	\$110
\$100,000 to \$125,000	89,800	28.3%	39.3%	\$15,670	15.5%	\$175
\$125,000 to \$150,000	95,100	36.8%	22.7%	\$19,040	18.8%	\$200
\$150,000 to \$250,000	155,300	33.3%	98.4%	\$31,610	31.3%	\$204
\$250,000 and above	53,300	22.0%	24.3%	\$30,420	30.1%	\$571
Total	433,800	12.8%	27.0%	\$101,090	100%	\$233

Source: House Research Analysis using the House Income Tax Simulation Model, Version 7.6



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