

File Number: H.F. 516

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Version: With author's amendment (H0516A1)

Authors: Loeffler and others

Subject: Increase working family tax credit

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Expands the working family credit to filers without qualifying children who are age 21 to 24, and increases the credit rate so that claimants qualify for the maximum credit at lower income levels.

Effective date: tax year 2017.

Current law limits the credit to individuals who are eligible for the federal earned income tax credit (EITC), which is allowed for filers without qualifying children who are at least 25 but not yet 65. The bill retains all other federal EITC requirements, including the requirement that claimants not be eligible to be claimed as a dependent on another person's return.

Modifies the credit percentage, the amount of earned income used to calculate the credit, the income level at which the credit begins to phase out, and the phaseout rate, so that claimants at lower income levels are eligible for larger credits, and the credit extends to higher income levels. The table compares the credit structure under current law with that proposed in the bill for tax year 2017.

| | Maximum credit | Income at which maximum credit reached | Income at which credit fully phased out |
|-----------------------------|----------------|--|---|
| No children | | | |
| Current law | \$134 | \$6,360 | \$15,005 |
| HF 516 | \$197 | \$6,550 | \$18,650 |
| One child | | | |
| Current law | \$1,070 | \$11,440 | \$39,568 |
| HF 516 | \$1,070 | \$8,420 | \$42,370 |
| Two or more children | | | |
| Current law | \$2,064 | \$18,760 | \$44,922 |
| HF 516 | \$2,063 | \$13,810 | \$48,276 |

The author's amendment (A1) is technical. Laws 2017, chapter 1 (federal conformity) amended the section of statute being amended by this bill. The amendment re-draws the bill to Minnesota Statutes section 290.0671, subdivision 1, as amended by Laws 2017, chapter 1.