

May 7, 2019

Senator Roger Chamberlain
Minnesota Senate
3225 Senate Building
St. Paul, MN 55155

Dear Senator Chamberlain:

As you work to develop the omnibus tax conference report, we ask you to make everyday Minnesotans and their families a priority. We urge you to invest in broader prosperity by expanding the Working Family Credit and Renters' Credit. We see the Working Family Credit and Renters' Credit expansions as essential components of any omnibus tax bill, as they have a substantial impact and are the only provisions that include those Minnesotans who struggle most to afford their basic needs.

We appreciate this opportunity to share with you more information about these two components, as well as other provisions important to lower-income Minnesotans.

We strongly support expanding the Working Family Credit. Working Family Credit expansion supports working people to gain traction in the workforce, better afford their basic needs, and get children off to a stronger start. It would benefit Minnesotans in every part of the state: 49 percent of taxfilers who currently claim the Working Family Credit live in Greater Minnesota and 51 percent live in the seven-county metro area.

Credits like the Working Family Credit can also have long-lasting positive effects for children. When parents can pay for their families' basic needs, that improves their children's chances of success in school and later as working adults. Research on the federal Earned Income Tax Credit (EITC), on which the Working Family Credit is based, finds that most families receive the tax credit temporarily, for just one to two years at a time.

We support expanding the Working Family Credit (WFC) for all family sizes by increasing the maximum credit amounts and raising the income limits to qualify. We especially appreciate that the House proposal includes important reforms that would make the credit work better for those Minnesotans who benefit less from the credit in its current form:

- **Expanding the credit for single workers and married couples without dependent children** would bring the pro-work and income-boosting effects of the WFC to these Minnesotans, who currently receive only a very small WFC and lose eligibility at extremely low incomes. For example, a single person who works at a small employer full-time, year-round earning the state minimum wage earns just \$16,723 a year – and that puts them *above the income limit* to qualify for our existing Working Family Credit. It also makes sense to prioritize this group of Minnesotans because they pay a higher share of their incomes in Minnesota taxes than the state average.
- **Expanding the credit for families with three or more children** would recognize these families' higher costs for basic expenses. Minnesota is one of only two states with a state EITC that does not have a larger tax credit for families with three or more children. The federal government made this change in 2009 but Minnesota has yet to conform.

We also strongly support **expanding the Renters' Credit**, and especially appreciate the House provision to reduce the copayment component in the formula for calculating this property tax refund, so that currently eligible Minnesotans at all income levels are included. The Renters' Credit is targeted to people earning low wages or on fixed incomes whose property taxes are considered high for their income level. More than one in four households that receive the Renters' Credit include seniors or people living with severe disabilities – and that share tends to be higher in Greater Minnesota. When asked about how they use their property tax refunds, Minnesota renters have described the most basic expenses, from toilet paper and toothpaste, to dental care and other health care expenses not covered by insurance, to “back-to-school” purchases of school supplies and clothing. Expanding the Renters' Credit is a targeted way to reduce the regressivity of Minnesota's property taxes.

In terms of tax conformity, we appreciate that all proposals before you **continue to take family size into account** through maintaining the pre-TCJA value of personal and dependent exemptions, or through the House approach of a larger standard deduction plus dependent exemptions. It is also essential that Minnesota maintain the pre-TCJA value of the **income subtraction for seniors, people living with disabilities, and families with dependents in the Property Tax Refund** for homeowners and renters.

We also encourage you to support Governor Walz's proposal that would treat all homeowners equitably by **allowing taxpayers who use an Individual Taxpayer Identification Number, or ITIN, when they file their taxes to qualify for homestead status**.

We also support the House's **Taxpayer Assistance Grants** provisions. With this modest additional appropriation, more Minnesotans could have their tax returns accurately completed by trained volunteers and filed electronically, benefiting these taxpayers and improving efficiency in our tax system.

We share in the goal of pursuing tax policies that make Minnesota a place where everyone — regardless of who they are or where they live — can thrive and take part in our state's prosperity. We urge you to take these steps so that everyday Minnesotans striving to reach economic security are a priority in this year's tax decisions.

Please contact Nan Madden at nmadden@mnbudgetproject.org or 651-757-3084 if there is additional information that would be useful to you as the Tax Conference Committee finishes its work.

Sincerely,

AFSCME Council 5
Children's Defense Fund-Minnesota
Growth & Justice
HOME Line
Legal Services Advocacy Project

Minnesota Asset Building Coalition
(membership list attached)
Minnesota Budget Project
Minnesota Coalition for the Homeless
Prepare+Prosper
Voices for Racial Justice

cc: Members of the Tax Conference Committee
Senator Paul Gazelka
Senator Thomas Bakk
Representative Melissa Hortman
Representative Ryan Winkler
Representative Kurt Daudt