

Minnesota's Child Credit and Working Family Credit

August 2024

Minnesota offers two refundable income tax credits targeted toward lower-income individuals: the child credit and the working family credit. The two credits are intertwined—taxpayers add together the two credits, and the combined amount is phased down based on income.

Based on returns filed through mid-August 2024, the combined cost of the child and working family credits was about \$701.7 million in tax year 2023. Of this amount, about 77 percent of credits before the phaseout were young child credits, 20 percent were working family credits, and 4 percent were credits for older children. About 208,300 returns with an older or younger child claimed about \$621.3 million in credits, for an average credit of about \$2,982. About 297,600 childless returns claimed about \$80.4 million in credits, for an average credit of \$270.

Eligibility

Minnesota's credits are subject to the same eligibility requirements as the federal earned income tax credit (EITC), with two exceptions: first, taxpayers do not need a Social Security number to claim the credit; and second, childless taxpayers ages 19 to 24 are also eligible for the state working family credit. Taxpayers are ineligible if they: (1) have significant investment income (\$11,600 in tax year 2024); (2) were married and filed a separate return; or (3) were claimed as a dependent on another return. Unless taxpayers have five or more children, those with incomes above \$100,000 earn too much to qualify.

Child credit

In TY 2024, taxpayers are eligible for a child credit of \$1,750 per qualifying child ages 0 to 17. There is no limit on the number of qualifying children for which a taxpayer may claim a credit in a tax year. There is a smaller credit for "qualifying older children" ages 18 to 23. In tax year 2024, the credit is \$970 if a taxpayer has one older child, \$2,210 for two older children, and \$2,630 for three or more older children. The credit amounts are indexed for inflation: the \$1,750 per young child amount increases beginning in TY 2026, and the amounts for older children began to increase in TY 2024.

Qualifying children: Minnesota uses the definition of "qualifying child" used by the federal EITC, except a qualifying child does not need a Social Security number to qualify. A child is eligible if the child: (1) is related to the taxpayer as a child, descendant of a child, sibling, stepsibling, or a descendant of a sibling or stepsibling; (2) has the same principal place of abode as the taxpayer; and (3) is 0 to 18 years old, a student aged 19 to 23, or is permanently and totally disabled; and (4) does not file a joint tax return.

Advance payments of the child credit will begin in 2025

Beginning in tax year 2025, the Department of Revenue (DOR) must offer taxpayers the option to receive advance payments of the child credit. DOR has suggested payments will begin in the second half of 2025, and the total amount of advance payments will equal half the credit the taxpayer received the previous year. These payments will offset the amount of credit taxpayers receive when they file a return. Taxpayers whose advance payments exceed the amount they were eligible for will not need to repay the advances, as long as they are eligible for any amount of child and working family credit.

Working family credit

Lower-income taxpayers are annually eligible for a working family credit equal to 4 percent of the first \$9,220 of their earned income resulting in a maximum credit of \$369. These amounts were indexed for inflation starting in TY 2024. Earned income is defined federally as wages plus self-employment income.

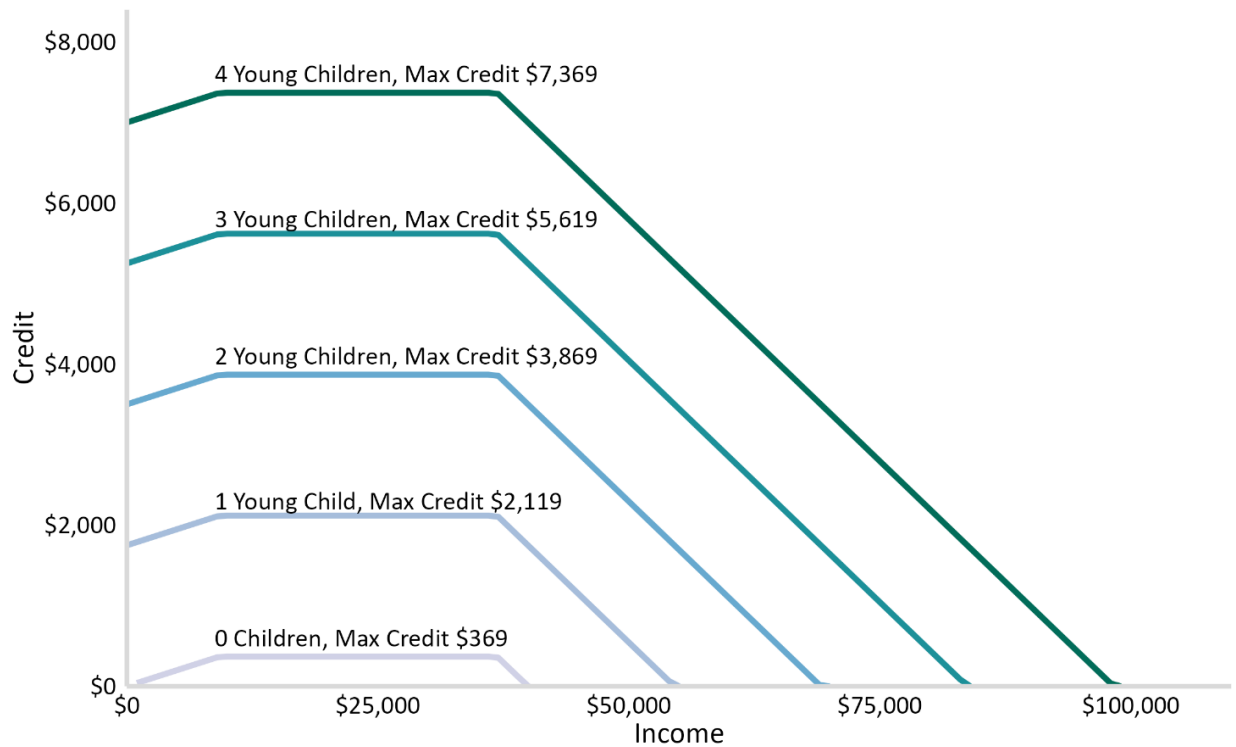
Phaseout

The combined amount of the taxpayer's child credit and working family credit is phased out based on the taxpayer's income. In TY 2024, for married joint filers the phaseout begins at \$36,880 of adjusted gross income or earned income (\$31,090 for unmarried filers). The taxpayer's credit amounts are reduced by 12 percent of income above the starting point for the phaseout, except that for taxpayers with a qualifying older child and no younger children, the phaseout rate is 9 percent.

Maximum Credit Amounts and Incomes at Which Credit is Fully Phased Out, TY 2024

Taxpayer's Number of Children	Maximum Credit	Income Level where Credit is Fully Phased Out	
		Married Joint	Unmarried
No Children	\$369	\$39,953	\$34,163
1 Young Child	\$2,119	\$54,537	\$48,747
1 Young Child and 1 Older Child	\$3,089	\$62,620	\$56,830
2 Young Children	\$3,869	\$69,120	\$63,330
2 Young Children and 1 Older Child	\$4,839	\$77,203	\$71,413
3 Young Children	\$5,619	\$83,703	\$77,913

Minnesota Child and Working Family Credit Phaseout, Married Joint Filers, TY 2024



Minnesota House Research Department.



Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn.gov/hrd | 651-296-6753 | Third Floor, Centennial Office Building | St. Paul, MN 55155