

(d) For individuals with two or more qualifying children, the credit equals ~~14.94~~ 14.94 percent of the first ~~\$18,240~~ \$13,810 of earned income. The credit is reduced by ~~10.82~~ 9.2 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$25,850, but in no case is the credit less than zero.

(e) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.0132, subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.0132, subdivisions 11 and 12, are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after ~~December 31, 2007, and before December 31, 2010,~~ ~~and for tax years beginning after~~ December 31, 2017, the ~~\$8,130~~ \$12,100 in paragraph (b), the ~~\$21,190~~ \$21,790 in paragraph (c), and the ~~\$25,130~~ \$25,850 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, ~~2008~~ 2017, the commissioner shall annually adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For ~~2009~~ 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, ~~2008~~ 2017, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

~~(h)(1) For tax years beginning after December 31, 2012, and before January 1, 2014,~~ ~~the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),~~ ~~after being adjusted for inflation under subdivision 7, are increased by \$5,340 for married~~

taxpayers filing joint returns; and (2) For tax years beginning after December 31, ~~2013~~ 2016, and before January 1, 2018, the ~~\$8,130~~ \$12,100 in paragraph (b), the ~~\$21,190~~ \$21,790 in paragraph (c), and the ~~\$25,130~~ \$25,850 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after ~~December 31, 2010, and before January 1, 2012, and for tax years beginning~~ after December 31, ~~2013~~ 2016, and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word "1992." For ~~2011~~ 2017, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, ~~2010~~ 2016, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(i) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 2. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2013~~" "2016" shall be substituted for the word "1992." For ~~2015~~ 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~2013~~ 2016, to the 12 months ending on August 31, ~~2014~~ 2017, and in each subsequent year, from the 12 months ending on August 31, ~~2013~~ 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in

- 4.1 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
- 4.2 commissioner under this subdivision is not a rule under the Administrative Procedure Act.
- 4.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
- 4.4 31, 2017.