

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 2506

(SENATE AUTHORS: REST, Dibble, Dzedzic, Isaacson and Hawj)

DATE	D-PG	OFFICIAL STATUS
03/14/2019	930	Introduction and first reading Referred to Taxes

1.1 A bill for an act
 1.2 relating to taxation; individual income; modifying the working family credit
 1.3 calculation; amending Minnesota Statutes 2018, section 290.0671, subdivisions
 1.4 1, 7.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2018, section 290.0671, subdivision 1, is amended to read:

1.7 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is
 1.8 allowed a credit against the tax imposed by this chapter equal to a percentage of earned
 1.9 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the
 1.10 Internal Revenue Code, except that:

1.11 (1) a taxpayer with no qualifying children who has attained the age of 21, but not attained
 1.12 age 65 before the close of the taxable year and is otherwise eligible for a credit under section
 1.13 32 of the Internal Revenue Code may also receive a credit; and

1.14 (2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
 1.15 Revenue Code remains eligible for the credit under this section even if the taxpayer's earned
 1.16 income or adjusted gross income exceeds the income limitation under section 32 of the
 1.17 Internal Revenue Code.

1.18 (b) For individuals with no qualifying children, the credit equals ~~2-10~~ three percent of
 1.19 the first ~~\$6,180~~ \$6,680 of earned income. The credit is reduced by ~~2-01~~ three percent of
 1.20 earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$12,710,
 1.21 but in no case is the credit less than zero.

2.1 (c) For individuals with one qualifying child, the credit equals ~~9.35~~ 12.71 percent of the
 2.2 first ~~\$11,120~~ \$8,790 of earned income. The credit is reduced by ~~6.02~~ 5.2 percent of earned
 2.3 income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,710, but
 2.4 in no case is the credit less than zero.

2.5 (d) For individuals with two or more qualifying children, the credit equals ~~44~~ 14.94
 2.6 percent of the first ~~\$18,240~~ \$14,430 of earned income. The credit is reduced by 10.82 percent
 2.7 of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~
 2.8 \$29,500, but in no case is the credit less than zero.

2.9 (e) For individuals with three or more qualifying children, the credit equals 15.78 percent
 2.10 of the first \$14,870 of earned income. The credit is reduced by 9.07 percent of earned income
 2.11 or adjusted gross income, whichever is greater, in excess of \$29,500, but in no case is the
 2.12 credit less than zero.

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

2.15 ~~(f)~~ (g) For a person who was a resident for the entire tax year and has earned income
 2.16 not subject to tax under this chapter, including income excluded under section 290.0132,
 2.17 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross
 2.18 income reduced by the earned income not subject to tax under this chapter over federal
 2.19 adjusted gross income. For purposes of this paragraph, the following clauses are not
 2.20 considered "earned income not subject to tax under this chapter":

2.21 (1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

2.22 (2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

2.23 (3) income derived from an Indian reservation by an enrolled member of the reservation
 2.24 while living on the reservation.

2.25 ~~(g)~~ (h) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$12,710 in
 2.26 paragraph (b), the ~~\$21,190~~ \$22,710 in paragraph (c), ~~and the \$25,130~~ \$27,000 in paragraph
 2.27 (d), ~~and the \$29,500 in paragraph (e)~~, after being adjusted for inflation under subdivision
 2.28 7, are each increased by ~~\$5,000~~ \$5,840 for married taxpayers filing joint returns. ~~For tax~~
 2.29 ~~years beginning after December 31, 2013, the commissioner shall annually adjust the \$5,000~~
 2.30 ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal~~
 2.31 ~~Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for~~
 2.32 ~~the word "1992." For 2014, the commissioner shall then determine the percent change from~~
 2.33 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2013,~~

3.1 ~~and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12~~
 3.2 ~~months ending on August 31 of the year preceding the taxable year. The earned income~~
 3.3 ~~thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends~~
 3.4 ~~in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner~~
 3.5 ~~under this subdivision is not a rule under the Administrative Procedure Act.~~

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

3.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 3.11 31, 2018.

3.12 Sec. 2. Minnesota Statutes 2018, section 290.0671, subdivision 7, is amended to read:

3.13 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit
 3.14 ~~and~~₂ the income thresholds at which the maximum credit begins to be reduced in subdivision
 3.15 1, and the additional threshold amount for married taxpayers filing joint returns must be
 3.16 adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant
 3.17 to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B)
 3.18 the word "~~2013~~" "2018" shall be substituted for the word "1992." For ~~2015~~ 2020, the
 3.19 commissioner shall then determine the percent change from the 12 months ending on August
 3.20 31, ~~2013~~ 2018, to the 12 months ending on August 31, ~~2014~~ 2019, and in each subsequent
 3.21 year, from the 12 months ending on August 31, ~~2013~~ 2018, to the 12 months ending on
 3.22 August 31 of the year preceding the taxable year. The earned income thresholds as adjusted
 3.23 for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount
 3.24 is rounded up to the nearest \$10 amount. The determination of the commissioner under this
 3.25 subdivision is not a rule under the Administrative Procedure Act.

3.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 3.27 31, 2019.