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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **3200**

03/19/2014 Authored by Loeffler

The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; extending the working family credit
1.3 phaseout for married filers to conform to the Internal Revenue Code; increasing
1.4 the maximum allowed credit; amending Minnesota Statutes 2012, section
1.5 290.0671, subdivisions 1, 7.

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

1.7 Section 1. Minnesota Statutes 2012, section 290.0671, subdivision 1, is amended to read:

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

1.11 (b) For individuals with no qualifying children, the credit equals ~~4.9125~~ 2.87 percent
1.12 of the first ~~\$4,620~~ \$4,980 of earned income. The credit is reduced by ~~4.9125~~ 2.39 percent
1.13 of earned income or adjusted gross income, whichever is greater, in excess of ~~\$5,770~~
1.14 \$8,620, but in no case is the credit less than zero.

1.15 (c) For individuals with one qualifying child, the credit equals ~~8.5~~ 12.75 percent of
1.16 the first ~~\$6,920~~ \$8,930 of earned income and ~~8.5 percent of earned income over \$12,080~~
1.17 ~~but less than \$13,450~~. The credit is reduced by ~~5.73~~ 7.16 percent of earned income or
1.18 adjusted gross income, whichever is greater, in excess of ~~\$15,080~~ \$22,560, but in no
1.19 case is the credit less than zero.

1.20 (d) For individuals with two or more qualifying children, the credit equals ~~ten~~ 15
1.21 percent of the first ~~\$9,720~~ \$14,650 of earned income and ~~20 percent of earned income~~
1.22 ~~over \$14,860 but less than \$16,800~~. The credit is reduced by ~~10.3~~ 12.88 percent of earned
1.23 income or adjusted gross income, whichever is greater, in excess of ~~\$17,890~~ \$26,620,
1.24 but in no case is the credit less than zero.

(e) For a nonresident or 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 290.01, subdivision 19b, clause (9), 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 290.01, subdivision 19b, clauses (10) and (11), 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 \$5,770 \$8,620 in paragraph (b), the ~~\$15,080~~ \$22,560 in paragraph (c), and the ~~\$17,890~~ \$26,620 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, 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, 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, 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) For tax years beginning after December 31, 2010, and before January 1, 2012, and for tax years beginning after December 31, 2013, and before January 1, 2018, the ~~\$5,770~~ \$8,620 in paragraph (b), the ~~\$15,080~~ \$22,560 in paragraph (c), and the ~~\$17,890~~ \$26,620 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, 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, 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, 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, 2013.

Sec. 2. Minnesota Statutes 2012, 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 "~~1999~~" "2013" shall be substituted for the word "1992." For ~~2001~~ 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2013, to the 12 months ending on August 31, ~~2000~~ 2014, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2013, 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 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.