290.067 DEPENDENT CARE CREDIT.

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer under this chapter an amount equal to the taxpayer's eligible dependent care expenses, as determined under subdivision 1a, multiplied by the taxpayer's credit percentage, as determined under subdivision 1b. The credit is reduced by five percent of adjusted gross income in excess of $65,610.

(b) In the case of a nonresident or part-year resident, the credit determined under this section must be allocated using the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) For the purposes of this section, the following terms have the meanings given:

(1) "employment-related expenses" has the meaning given in section 21(b)(2) of the Internal Revenue Code; and

(2) "qualifying individual" has the meaning given in section 21(b)(1) of the Internal Revenue Code, except that in determining whether the child qualified as a dependent income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer.

Subd. 1a. **Eligible dependent care expenses.** (a) A taxpayer's eligible dependent care expenses equals the amount of employment-related expenses incurred during the taxable year, subject to the limitation in paragraph (b).

(b) A taxpayer's eligible dependent care expenses are limited to:

(1) $3,000 if there was one qualifying individual with respect to the taxpayer; or

(2) $6,000 if there were two or more qualifying individuals with respect to the taxpayer.

(c) The limits under paragraph (b), clauses (1) and (2), are reduced by the amount of dependent care assistance excluded from gross income under section 129 of the Internal Revenue Code for the taxable year.

(d) For the purposes of determining employment-related expenses, the provisions of section 21(d) of the Internal Revenue Code apply.

Subd. 1b. **Credit percentage.** (a) The credit percentage equals 35 percent, subject to the reductions in paragraph (b).

(b) A taxpayer's credit percentage is reduced by one percentage point for each $2,000, or fraction thereof, by which the taxpayer's adjusted gross income exceeds $15,000, until the credit percentage equals 20 percent.

Subd. 2. MS 2016 [Repealed, 1Sp2017 c 1 art 1 s 44]

Subd. 2a. MS 2016 [Repealed, 2018 c 182 art 1 s 109]

Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the adjusted gross income amount in subdivision 1, paragraph (a), as provided in section 270C.22. The statutory year is taxable year 2026.

Subd. 2c. **Deemed expenses.** (a) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. The amount of expenses deemed to have been paid

equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care up to the maximum eligible expenses allowed, as determined under subdivisions 1a and 1b.

(b) If a taxpayer, regardless of filing status:

(1) has a qualifying individual who has not attained the age of one year at the close of the taxable year; and

(2) used the deemed amount under paragraph (a) in lieu of the actual employment-related expenses paid for that child, the amount of deemed employment-related expenses equals the lesser of:

(i) the earned income of the taxpayer; or

(ii) the amount of the maximum limit for one qualified individual under subdivision 1a.

The earned income limitation of section 21(d) of the Internal Revenue Code does not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

Subd. 3. **Credit to be refundable; appropriation.** If the amount of credit which a claimant would be eligible to receive pursuant to this subdivision exceeds the claimant's tax liability under this chapter, the excess amount of the credit shall be refunded to the claimant by the commissioner of revenue. The amount needed to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 4. **Right to file claim.** The right to file a claim under this section shall be personal to the claimant and shall not survive death, but such right may be exercised on behalf of a claimant by the claimant's legal guardian or attorney-in-fact. When a claimant dies after having filed a timely claim the amount thereof shall be disbursed to another member of the household as determined by the commissioner of revenue. If the claimant was the only member of a household, the claim may be paid to the claimant's personal representative, but if neither is appointed and qualified within two years of the filing of the claim, the amount of the claim shall escheat to the state.

Subd. 5. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 6. MS 1992 [Repealed, 1994 c 587 art 1 s 25]

Subd. 7. **Special rules.** For purposes of this section, the special rules of section 21(e) of the Internal Revenue Code apply.

History: *1977 c 423 art 7 s 1,2; 1979 c 303 art 1 s 11; 1980 c 607 art 1 s 11,12; 1981 c 343 s 4; 1Sp1981 c 2 s 22; 1982 c 523 art 40 s 3,14; 1983 c 342 art 1 s 12,13; 1984 c 514 art 2 s 15,16; 1Sp1985 c 14 art 21 s 4,49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 3 s 3; 1987 c 268 art 1 s 35-38; 1988 c 719 art 1 s 9; art 3 s 12; 1989 c 28 s 12,25; 1Sp1989 c 1 art 10 s 17,18; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 25,26,46; 1992 c 511 art 6 s 19; 1994 c 587 art 1 s 13; 1995 c 1 s 4; 1995 c 264 art 10 s 8; 1997 c 231 art 5 s 6; 1998 c 389 art 7 s 7; 1999 c 159 s 127; 1Sp2001 c 5 art 7 s 36,37; 2002 c 377 art 2 s 9; art 10 s 11; 1Sp2003 c 21 art 1 s 7; 1Sp2005 c 3 art 3 s 8; art 4 s 11,12; art 10 s 6; 2008 c 154 art 11 s 14; 2009 c 12 art 1 s 8; 2009 c 88 art 1 s 9; 2010 c 389 art 3 s 13; 2012 c 294 art 2 s 12; 2014 c 150 art 1 s 15,16; 2016 c 158 art 3 s 14; 1Sp2017 c 1 art 1 s 18,19; 2018 c 182 art 1 s 73; 1Sp2019 c 6 art 1 s 38,73; 2023 c 25 s 155; 2023 c 64 art 1 s 35; 2024 c 85 s 91; 2026 c 128 art 1 s 26*