DEPARTMENT OF REVENUE

INDIVIDUAL INCOME TAX
CWFC Eligibility and Phase-Out

March 24, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H. F. 2197 (Robbins)

	Fund Impact			
	F.Y. 2026	**F.Y. 2027**	**F.Y. 2028**	**F.Y. 2029**
	(000's)			
General Fund	$8,500	$200	($3,300)	($8,400)

Effective beginning with tax year 2025.

EXPLANATION OF THE BILL

Current Law: The child tax credit is a refundable credit equal to $1,750 for each qualifying child. The working family credit equals 4% of the first $9,480 of earned income in tax year 2025, with additional amounts for qualifying older children. The credits are phased out jointly by 12% of earned income or adjusted gross income, whichever is greater, in excess of a threshold. (For taxpayers with qualifying older children who do not qualify for the child credit, the phase-out rate is 9%).

The phase-out threshold for tax year 2025 is $37,910 for married joint filers and $31,950 for all other filers. The phase-out thresholds are adjusted annually for inflation.

Proposed Law: The bill would eliminate the earned income portion of the working family credit for taxpayers without children.

The bill would also increase the threshold for married joint returns to twice the amount for other filers in tax year 2025: $75,000 for married joint returns and $37,500 for other filers.

The additional credit amounts for qualifying older children would be restated in tax year 2025 amounts. The thresholds and the credit amounts for qualifying older children would be annually adjusted for inflation beginning in tax year 2026.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 7.5) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2025. The model uses a stratified sample of tax year 2022 individual income tax returns compiled by the Minnesota Department of Revenue.
- The revenue impact is a combination of two components: a revenue gain from eliminating the earned income portion of the credit for childless taxpayers, and a revenue loss from the increased phase-out thresholds. The revenue loss is projected to grow more quickly than the revenue gain, resulting in net revenue losses in the second biennium.
- Tax year impacts are allocated to the following fiscal year.

REVENUE ANALYSIS DETAIL (Cont.)

Number of Taxpayers: In tax year 2025 about 106,500 taxpayers would have an average increased credit of $962, and about 318,700 returns would have an average decreased credit of $348.

Minnesota Department of Revenue
Tax Research Division
https://www.revenue.state.mn.us/revenue-analyses

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