

March 19, 2025

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue
Analysis of H. F. 2302 (Norris)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	(\$7,900)	(\$8,100)	(\$8,400)	(\$8,700)

Effective beginning tax year 2025.

EXPLANATION OF THE BILL

Current Law: In tax year 2023, the working family credit was replaced by a child credit and a new working family credit. The two credits are calculated separately and phased out jointly.

The child credit equals \$1,750 per qualifying child under the age of 18. That amount will adjusted for inflation beginning in tax year 2026.

In tax year 2025, the working family credit equals 4% of the first \$9,480 of earned income. The credit is increased by \$1,000 for a taxpayer with one qualifying older child, \$2,270 for two qualifying older children, and \$2,710 for three or more qualifying older children aged 18 or older.

The child credit and the working family credit are reduced together by 12% of earned income or adjusted gross income, whichever is greater, over a threshold. In 2025, the threshold is \$37,910 for married joint filers or \$31,950 for all other filers.

Proposed Law: The proposal expands the child credit to include qualifying children up to the age of 18. Qualifying older children would be age 19 or older.

REVENUE ANALYSIS DETAIL

- Based on data from schedule MIDQC for 2023 income tax returns, there were about 69,900 dependents aged 18 years old.
- Of those, about 10,700 children would qualify for the child tax credit under the proposal.
- The average increase in the credit is \$755 per return for tax year 2023.
- Growth is based on projected growth in the child and working family credit in the February 2025 forecast.
- Tax year impacts are allocated to the following fiscal year.

Number of Taxpayers: About 10,300 returns would benefit from the proposal in tax year 2025.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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hf2302 Income Tax Child Tax Credit at age 18 / tj