

March 11, 2025

**To** Tax Committee Members  
**From** Sean Williams, Legislative Analyst  
**Subject** Income tax modeling for H.F. 355; long-term care insurance credit maximums increased

## Executive summary

This memo contains modeling results for H.F. 355, which increases the maximum long-term care credit from \$100 per qualified beneficiary to \$250. House Research modeling estimates that the bill would reduce revenues by about \$13.26 million in tax year 2025. About 65,700 returns would see an average reduction in tax of about \$202. The bill slightly increases the progressivity of the overall individual income tax.

## Background: House modeling capabilities

House Research can model some individual income tax proposals using the House Income Tax Simulation (HITS) model, version 7.5. The model uses a stratified sample of 2022 individual income tax returns, and forecasts changes in tax years 2025 to 2029 based on the February forecast from Minnesota Management and Budget (MMB).

The House, Senate, Department of Revenue (DOR), and MMB all use the same model to estimate certain income tax proposals, but DOR has a broader sample of high-income returns than the other agencies. This may result in differences between House Research modeling and DOR revenue estimates.

The model can only estimate tax policy changes if the data needed to model the provision is included on a tax return. All of the data used by the model comes from amounts that taxpayers entered on a state or federal income tax return.

HITS model estimates are not precise and are subject to several sources of error. The model relies on a sample of income tax records, which introduces sampling error into the estimates. Estimates for years outside of the sample year are based on the February economic forecast produced by MMB—this introduces forecasting error into the model. For some tax system components for which the model does not have precise data, the model uses imperfect assumptions about taxpayers to interpolate missing numbers; this process also introduces error.

House Research modeling results are preliminary, and cannot replace formal estimates from the Department of Revenue.

## Modeling results; H.F. 355 as introduced

Table 1 below shows the distribution in changes of tax by adjusted gross income (AGI).

**Table 1: H.F. 355, as introduced, distribution of tax reductions by income  
Tax Year 2025, based on February forecast assumptions, return totals rounded**

Income (AGI)	Decreases in Tax			
	# of Returns	Total (\$1,000)	% of Total Decrease	Average Decrease (\$)
Less than \$30,000	600	-62	0.5%	-\$100
\$30,000 to \$50,000	1,900	-276	2.1%	-\$142
\$50,000 to \$75,000	6,900	-1,115	8.4%	-\$161
\$75,000 to \$100,000	12,400	-2,253	17.0%	-\$181
\$100,000 to \$125,000	8,800	-1,728	13.0%	-\$196
\$125,000 to \$150,000	6,900	-1,481	11.2%	-\$216
\$150,000 to \$250,000	17,900	-3,938	29.7%	-\$220
\$250,000 and more	10,200	-2,407	18.2%	-\$235
<b>Total</b>	65,700	-13,260	100.0%	-\$202

Table 2 below shows the distribution of tax decreases by the size of the decrease.

**Table 2: H.F. 355, as introduced; distribution of tax reductions by size of change  
Tax Year 2025, February forecast assumptions, return totals rounded**

Size of Decrease	Tax Decreases	
	Returns	% of Total Returns
No change	2,938,200	97.8%
1 to 25	2,700	0.1%
25 to 49	1,800	0.1%
50 to 99	1,600	0.1%
100 to 249	32,600	1.1%
250 to 499	27,100	0.9%
500 to 749	0	0.0%
750 to 999	0	0.0%
1000 +	0	0.0%
<b>Total returns with a change</b>	65,700	2.2%
<b>Total returns</b>	3,004,000	97.8%

### Progressivity

House Research modeling indicates that the bill slightly increases the progressivity of the Minnesota individual income tax.

For tax year 2025, the baseline Suits Index for the income tax after all credits is .3023. Under the bill, the progressivity increases to .3026.

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