

# Minnesota's Child Credit and Working Family Credit

January 2024

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Minnesota offers two refundable income tax credits targeted toward lower-income individuals: the child credit and the working family credit. The two credits are intertwined—taxpayers add together the two credits, and the combined amount is phased down based on income.

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## Projected cost and participation

The child credit first went into effect for tax year (TY) 2023. Department of Revenue (DOR) and House Research modeling estimate that the combined cost of the two credits for current taxpayers will be about \$606,000,000 for TY 2023, with about 699,000 taxpayers receiving credits. DOR estimates that parents of an additional 36,000 dependents would newly file returns to claim the credit, resulting in \$58,400,000 of additional credits in TY 2023.

## Eligibility

Minnesota's credits are subject to the same eligibility requirements as the federal earned income tax credit (EITC), except taxpayers do not need a Social Security number to claim the credit. Childless taxpayers ages 19 to 24 are also eligible for the state working family credit, even though they are ineligible federally. Taxpayers are ineligible if they: (1) have significant investment income (\$11,600 in TY 2024); (2) were married and filed a separate return; or (3) were claimed as a dependent on another return. Unless taxpayers have five or more children, those with incomes above \$100,000 earn too much to qualify.

## Child credit

In TY 2024, taxpayers are eligible for a child credit of \$1,750 per qualifying child ages 0 to 17. There is no limit on the number of qualifying children for which a taxpayer may claim a credit in a tax year.

There is a smaller credit for “qualifying older children” ages 18 to 23. In tax year 2024, the credit is \$970 if a taxpayer has one older child, \$2,210 for two older children, and \$2,630 for three or more older children. The amount for older children is added to the amount for younger children.

Both credit amounts are indexed for inflation; the \$1,750 per young child amount increases beginning in TY 2026, and the amounts for older children began to increase in TY 2024.

*Qualifying children:* Minnesota uses the definition of “qualifying child” used by the federal EITC, except a qualifying child does not need a Social Security number to qualify for the state child credit. To be considered a qualifying child, a child must: (1) be related to the taxpayer as a child, descendant of a child, sibling, stepsibling, or a descendant of a sibling or stepsibling; (2) have the same principal place of abode as the taxpayer; and (3) be 0 to 18 years old, be a student aged 19 to 23, or be permanently and totally disabled. A taxpayer may not claim a credit for a child if the child files a joint tax return.

## Working family credit

Lower-income taxpayers are annually eligible for a working family credit equal to 4 percent of the first \$9,220 of their earned income resulting in a maximum credit of \$369. These amounts were indexed for inflation starting in TY 2024. Earned income is defined federally as wages plus self-employment income.

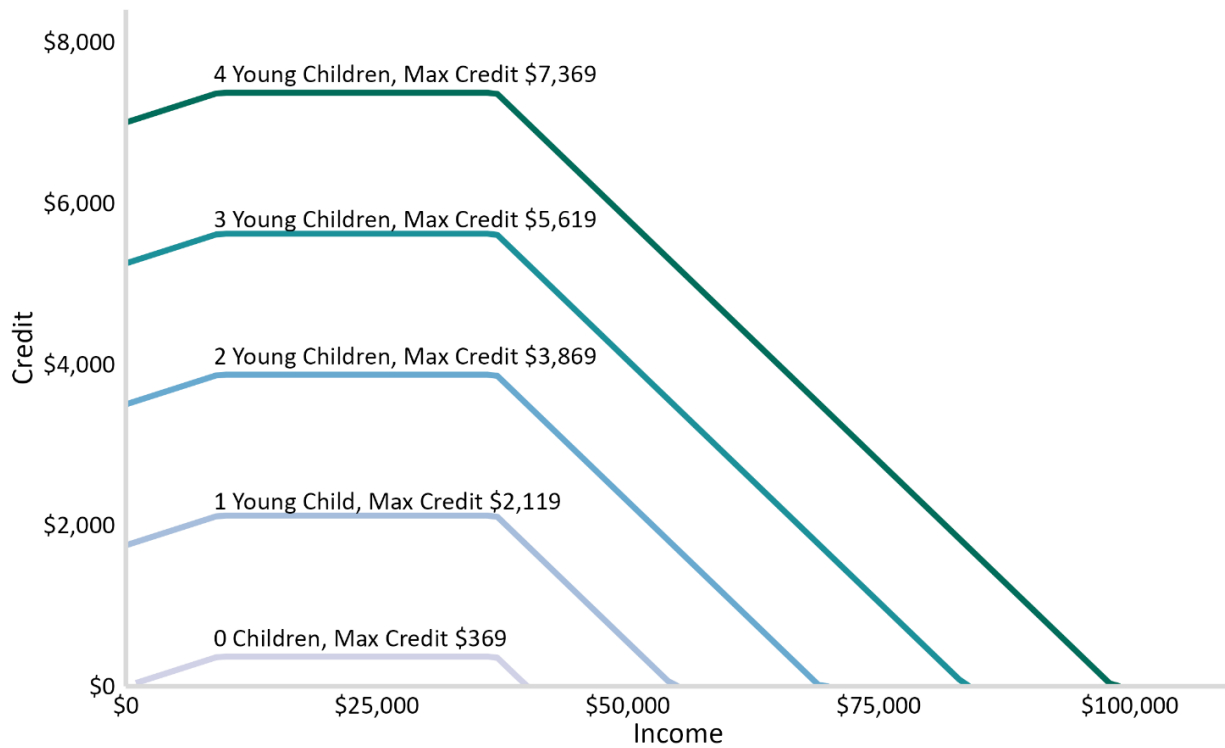
### Phaseout

The combined amount of the taxpayer's child credit and working family credit is phased out based on the taxpayer's income. In TY 2024, for married joint filers the phaseout begins at \$36,880 of adjusted gross income or earned income (\$31,090 for unmarried filers). The taxpayer's credit amounts are reduced by 12 percent of income above the starting point for the phaseout, except that for taxpayers with a qualifying older child and no younger children, the phaseout rate is 9 percent.

### Maximum Credit Amounts and Incomes at Which Credit is Fully Phased Out, TY 2024

Taxpayer's Number of Children	Maximum Credit	Income Level where Credit is Fully Phased Out	
		Married Joint	Unmarried
No Children	\$369	\$39,953	\$34,163
1 Young Child	\$2,119	\$54,537	\$48,747
1 Young Child and 1 Older Child	\$3,089	\$62,620	\$56,830
2 Young Children	\$3,869	\$69,120	\$63,330
2 Young Children and 1 Older Child	\$4,839	\$77,203	\$71,413
3 Young Children	\$5,619	\$83,703	\$77,913

### Minnesota Child and Working Family Credit Phaseout, Married Joint Filers, TY 2024



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