

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 1842

(SENATE AUTHORS: MURPHY)

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; individual income; modifying eligibility for the working family
1.3 credit; amending Minnesota Statutes 2020, sections 289A.08, subdivision 11;
1.4 290.0671, subdivisions 1, 1a, 7.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2020, section 289A.08, subdivision 11, is amended to read:

1.7 Subd. 11. **Information included in income tax return.** (a) The return must state:

1.8 (1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address
1.9 of the taxpayer in the same name or names and same address as the taxpayer has used in
1.10 making the taxpayer's income tax return to the United States;

1.11 (2) the date or dates of birth of the taxpayer or taxpayers;

1.12 (3) the following information:

1.13 (i) the Social Security number of the taxpayer, or taxpayers, if a Social Security number
1.14 has been issued by the United States with respect to the taxpayers; or

1.15 (ii) the individual tax identification number of the taxpayer, or taxpayers, if a Social
1.16 Security number has not been issued by the United States with respect to the taxpayers, as
1.17 allowed under section 290.0671; and

1.18 (4) the amount of the taxable income of the taxpayer as it appears on the federal return
1.19 for the taxable year to which the Minnesota state return applies.

1.20 (b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy
1.21 of the federal income tax return that the taxpayer has filed or is about to file for the period.

2.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.2 31, 2020.

2.3 Sec. 2. Minnesota Statutes 2020, section 290.0671, subdivision 1, is amended to read:

2.4 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is
 2.5 allowed a credit against the tax imposed by this chapter equal to a percentage of earned
 2.6 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the
 2.7 Internal Revenue Code, except that:

2.8 (1) a taxpayer with no qualifying children who has attained the age of ~~21~~, ~~but not attained~~
 2.9 ~~age 65~~ 19 before the close of the taxable year and is otherwise eligible for a credit under
 2.10 section 32 of the Internal Revenue Code may also receive a credit; ~~and~~

2.11 (2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
 2.12 Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted
 2.13 gross income exceeds the income limitation under section 32 of the Internal Revenue Code;
 2.14 and

2.15 (3) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
 2.16 Revenue Code remains eligible for the credit even if the requirements of section 32(m) of
 2.17 the Internal Revenue Code are not met if the taxpayer provides an individual taxpayer
 2.18 identification number.

2.19 (b) For individuals with no qualifying children, the credit equals ~~3.9~~ 7.0 percent of the
 2.20 first ~~\$7,150~~ \$7,340 of earned income. The credit is reduced by ~~2.0~~ 3.5 percent of earned
 2.21 income or adjusted gross income, whichever is greater, in excess of the phaseout threshold,
 2.22 but in no case is the credit less than zero.

2.23 (c) For individuals with one qualifying child, the credit equals ~~9.35~~ 11.0 percent of the
 2.24 first ~~\$11,950~~ \$12,270 of earned income. The credit is reduced by ~~6.0~~ 7.0 percent of earned
 2.25 income or adjusted gross income, whichever is greater, in excess of the phaseout threshold,
 2.26 but in no case is the credit less than zero.

2.27 (d) For individuals with two qualifying children, the credit equals ~~11~~ 13 percent of the
 2.28 first ~~\$19,600~~ \$20,120 of earned income. The credit is reduced by ~~10.5~~ 12.3 percent of earned
 2.29 income or adjusted gross income, whichever is greater, in excess of the phaseout threshold,
 2.30 but in no case is the credit less than zero.

2.31 (e) For individuals with three or more qualifying children, the credit equals ~~12.5~~ 14.8
 2.32 percent of the first ~~\$20,000~~ \$20,530 of earned income. The credit is reduced by ~~10.5~~ 12.3

3.1 percent of earned income or adjusted gross income, whichever is greater, in excess of the
3.2 phaseout threshold, but in no case is the credit less than zero.

3.3 (f) For a part-year resident, the credit must be allocated based on the percentage calculated
3.4 under section 290.06, subdivision 2c, paragraph (e).

3.5 (g) For a person who was a resident for the entire tax year and has earned income not
3.6 subject to tax under this chapter, including income excluded under section 290.0132,
3.7 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross
3.8 income reduced by the earned income not subject to tax under this chapter over federal
3.9 adjusted gross income. For purposes of this paragraph, the following clauses are not
3.10 considered "earned income not subject to tax under this chapter":

3.11 (1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

3.12 (2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

3.13 (3) income derived from an Indian reservation by an enrolled member of the reservation
3.14 while living on the reservation.

3.15 (h) For the purposes of this section, the phaseout threshold equals:

3.16 (1) ~~\$14,570~~ \$14,960 for married taxpayers filing joint returns with no qualifying children;

3.17 (2) ~~\$8,730~~ \$8,960 for all other taxpayers with no qualifying children;

3.18 (3) ~~\$28,610~~ \$29,380 for married taxpayers filing joint returns with one qualifying child;

3.19 (4) ~~\$22,770~~ \$23,380 for all other taxpayers with one qualifying child;

3.20 (5) ~~\$32,840~~ \$33,720 for married taxpayers filing joint returns with two qualifying
3.21 children;

3.22 (6) ~~\$27,000~~ \$27,720 for all other taxpayers with two qualifying children;

3.23 (7) ~~\$33,140~~ \$34,030 for married taxpayers filing joint returns with three or more
3.24 qualifying children; and

3.25 (8) ~~\$27,300~~ \$28,030 for all other taxpayers with three or more qualifying children.

3.26 (i) The commissioner shall construct tables showing the amount of the credit at various
3.27 income levels and make them available to taxpayers. The tables shall follow the schedule
3.28 contained in this subdivision, except that the commissioner may graduate the transition
3.29 between income brackets.

4.1 Sec. 3. Minnesota Statutes 2020, section 290.0671, subdivision 1a, is amended to read:

4.2 Subd. 1a. **Definitions.** For purposes of this section, the terms "qualifying child," and
4.3 "earned income," have the meanings given in section 32(c) of the Internal Revenue Code,
4.4 except that the requirements of section 32(m) of the Internal Revenue Code do not apply
4.5 to the definition of a "qualifying child" if all other requirements are met and an individual
4.6 taxpayer identification number is provided, and the term "adjusted gross income" has the
4.7 meaning given in section 62 of the Internal Revenue Code.

4.8 "Earned income of the lesser-earning spouse" has the meaning given in section 290.0675,
4.9 subdivision 1, paragraph (d).

4.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.11 31, 2020.

4.12 Sec. 4. Minnesota Statutes 2020, section 290.0671, subdivision 7, is amended to read:

4.13 Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned
4.14 income amounts used to calculate the credit and the phase-out thresholds in subdivision 1
4.15 as provided in section 270C.22. The statutory year is taxable year ~~2019~~ 2021.

4.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.17 31, 2021.