

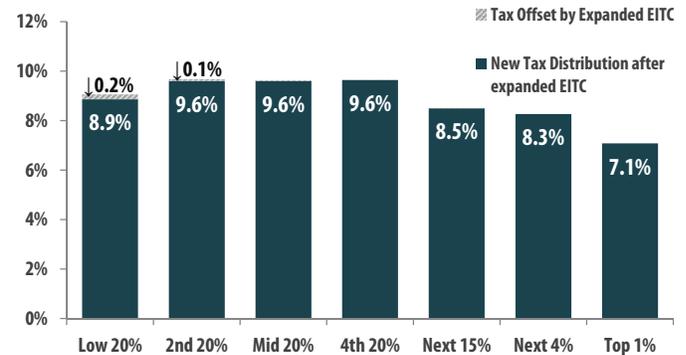
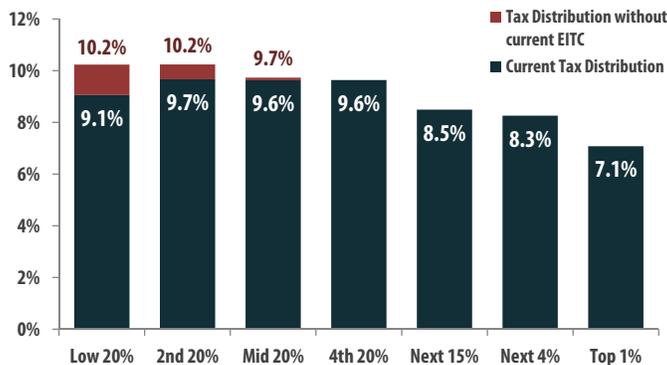
Minnesota

Current policy: Minnesota provides a refundable credit based on the federal EITC called the Working Family Credit (WFC). This income tax credit is based on a family's earnings and family size, and can only be claimed by people who are eligible for the federal EITC. But, rather than taken as a percentage of the federal EITC, Minnesota's credit equals a percentage of earned income and has a different set of phaseout parameters. The average WFC is roughly equivalent to 33% of the federal EITC.

Income Group	Low 20%	2nd 20%	Mid 20%	4th 20%	Next 15%	Next 4%	Top 1%
Income Range	Less than \$23,000	\$23,000 – \$41,000	\$41,000 – \$62,000	\$62,000 – \$96,000	\$96,000 – \$182,000	\$182,000 – \$433,000	\$433,000 – Or More
Average Income in Group	\$12,500	\$31,900	\$52,200	\$77,700	\$123,900	\$268,800	\$1,308,300

Current Distribution of Minnesota's State & Local Taxes* (with impact of current EITC)

1) 2014 Legislative Fix: Described below



In March 2014, lawmakers enacted several improvements to Minnesota's Working Family Credit (WFC). HF 1777 increased the working family credit for most claimants by increasing the percentage of income used to calculate the credit. The bill also removed the existing two-tier calculation for taxpayers with children, allowing the first tier calculation to extend to higher income levels. The improvements in the bill will increase the income level at which the credit begins to phase out for married filers in tax years 2013-2017 by \$5,000 indexed for inflation from 2009, and in tax year 2018 and following years it increases by \$3,000 indexed for inflation from 2008 (these changes conformed the WFC to federal improvements to the EITC that reduced marriage penalties). The maximum credit was also increased.

No other options are modeled for Minnesota in this report.

*The baseline distribution of taxes used in this report has been modified from the published *Who Pays?* results to reflect a new 9.85 percent top income tax rate, an increase in the cigarette tax, and changes to the state's circuit breaker property tax credit. Sales tax changes enacted in 2013 but then repealed in 2014 are not included. The figures represent total state and local taxes as a share of income, post-federal offset. Due to rounding, the new tax distributions shown may not always precisely equal the current distribution minus the EITC offset.