

# FACT SHEET | Tax Cuts for Over 400,000 Minnesota Families

*2016 Budget for a Better Minnesota*

Minnesota is doing better – much better – than it was before. Over 210,000 more jobs have been added since 2011 and more Minnesotans are working than ever before. But for some Minnesotans, it can feel like the deck is stacked against them. While incomes at the very top keep rising, they have remained largely flat for ordinary Minnesotans even though the costs of daily life keep going up. That is why Governor Dayton and Lt. Governor Smith have proposed cutting taxes for over 400,000 Minnesota families – improving incomes for ordinary Minnesotans, not giving more tax breaks to big businesses and those at the very top. These middle class tax cuts would be on top of the tax cuts Governor Dayton and the DFL Legislature delivered for two million Minnesotans in 2014.

## Tax Cuts for Minnesota Families

- **Making Child Care More Affordable** – Child care costs Minnesota families over \$10,000 per year for one child, on average. But under current law, only 34,000 Minnesota families are eligible to receive tax credits for child care. The Governor and Lt. Governor’s proposal would expand eligibility for these tax credits to a total of 126,000 Minnesota families, providing \$46.8 million in tax cuts. The proposal would also increase the average credit by \$473 for 99,000 families, with some seeing as much as a \$1,200 increase.
- **Investing in Working Families** – The Working Family Tax Credit helps supplement the wages of low and middle-income working adults with children. Governor Dayton and Lt. Governor Smith’s budget proposal would invest \$39.4 million to expand the Working Family Tax Credit to more than 286,000 working families statewide. The average family would save \$138 per year. Eligible families would receive an average total credit of \$774.
- **Saving Money on Education Costs** – To help Minnesota families pay for education expenses, the Governor and Lt. Governor’s budget proposal would expand the K-12 Education Tax Credit to 17,800 more middle class Minnesota families, providing \$5.7 million in tax cuts. Eligible families could receive a credit up to \$1,000 for each child enrolled in a K-12 school for educational expenses like textbooks, tutoring, and computers.

## Federal Tax Conformity

- **Cutting Taxes for Thousands of Minnesotans** – By aligning Minnesota’s tax code to tax relief passed by Congress last year, Governor Dayton and Lt. Governor Smith’s tax cut proposal will provide targeted tax relief and simplify the taxpaying process for middle class Minnesotans and Minnesota businesses. Their proposal would benefit college students and their families paying for higher education, teachers buying classroom supplies, homeowners who refinance their mortgages, and new homeowners paying mortgage insurance.

## Investing in Innovation and Opportunity

- **Investing in Innovation** – The Governor and Lt. Governor’s proposal would simplify the paperwork required to file for the Research and Development Tax Credit, making it more accessible to Minnesota businesses. This credit covers Minnesota businesses for a portion of their investments in innovative research, giving a boost to Minnesota’s cutting-edge economy.

## Closing Corporate Tax Loopholes

- **A Level Playing Field** – To avoid paying their fair share, big corporations hire expensive lawyers and accountants to take advantage of special loopholes in our tax code. To ensure big businesses pay their fair share, and to level the playing field for ordinary Minnesotans and small businesses, Governor Dayton and Lt. Governor Smith’s budget would eliminate big business loopholes. Here’s what the plan would do:
  - Remove loopholes used by insurance companies to shelter income from corporate taxation
  - Stop the big banks from moving income to avoid taxes

- Tax businesses sales by non-Minnesotans, who use installment sales to avoid state taxes
- Prevent transactions meant only to evade taxes
- **Making Railroads Pay Their Fair Share**– Minnesota’s current railroad property tax laws are outdated and have not kept pace with railroad uses, or the need for increased safety and efficiency. Governor Dayton and Lt. Governor Smith’s proposal would provide over \$40 million for Minnesota communities, to invest in strengthening rail safety and other essential services across the state, and to provide tax relief to homeowners, businesses, and farmers.

## Middle Class Tax Cuts – By the Numbers

Governor Dayton and Lt. Governor Smith are proposing over \$128 million in tax cuts for hard-working Minnesotans. These tax cuts would improve incomes for ordinary Minnesotans by keeping more in their pockets. Here is how those savings break down:

<b>126,000</b>	126,000 Minnesota families would be eligible for child care cost relief under the Governor’s and Lt. Governor’s plan
<b>286,000</b>	286,000 Minnesota families would be eligible for the Working Family Tax Credit increase under the plan, with eligible families receiving over \$750 each on average
<b>17,800</b>	17,800 more Minnesota families would be eligible for the K-12 Education Tax Credit under the plan, with eligible families receiving up to \$1,000 per child
<b>40,000</b>	40,000 college students and their families paying for higher education tuition would see a total of \$4.3 million in tax breaks under the plan
<b>60,000</b>	60,000 teachers will be eligible for a tax deduction for the books, crayons, and other essential classroom materials they purchase, totaling \$3 million in tax savings for Minnesota teachers under the plan
<b>\$17.4 million</b>	Homeowners who refinanced their homes or went through a short sale would see a total tax cut of \$17.4 million under the plan
<b>75,000</b>	75,000 new homeowners who pay mortgage insurance premiums for their qualified residence would see tax breaks totaling \$11.3 million under the plan