

# One Minnesota Budget



## MINNESOTA CHILD TAX CREDIT

The 2023 omnibus tax bill that Governor Walz signed into law includes the creation of a permanent, nation-leading state Child Tax Credit (CTC) that is estimated could reduce child poverty in the state by one-third. The fully refundable, income-targeted credit will provide up to \$1,750 per child for an estimated nearly 300,000 households including 513,000 children. The credit will reach 10 percent of Minnesota households, including 36 percent of households with children. The impact will be made across the state, with five Minnesota counties where at least 1 in 5 children are living in poverty and each of those counties located outside the seven-county metro. The credit is one of many investments made in the 2023 legislative session to increase family income and support basic needs access and asset development.

### WHO WILL BE ELIGIBLE FOR THE CREDIT?

Families must file a Minnesota Individual Income Tax return to claim the credit, though they do not need earned income. Beginning tax year 2023, the CTC and Working Family Credit (WFC) can be claimed using either a social security number (SSN) or an individual taxpayer identification number (ITIN), a tax filing number for eligible individuals without a SSN. Families with children are eligible for the full value of the tax credit until they reach the phase out threshold, which is \$35,000 for married joint filers and \$29,500 for other filers. For families with incomes above these thresholds, the amount of CTC and WFC they qualify for is gradually reduced until they reach an income limit, which is based on family size and are roughly the following:

For married filing joint filers:

- Families with one child: \$52,500
- Families with two children: \$67,000
- Families with three children: \$82,000
- Families with four children: \$96,000
- And increases with additional children

For other filers:

- Families with one child: \$47,000
- Families with two children: \$61,500
- Families with three children: \$76,000
- Families with four children: \$91,000
- And increases with additional children

### HOW MUCH WILL THE CREDIT BE?

The maximum credit is \$1,750 per qualifying child with no cap on the number of qualifying children per family. In addition, families with earnings can qualify for the WFC, which is equal to 4% of the first \$8,750 of earned income (maximum of \$350 per family). The net new resources to families from the new CTC and WFC varies by family size, income level, and the amount of WFC they qualified for under prior law. For families with incomes up to the phase out threshold (\$29,500 for single/head of household filers or \$35,000 for married filing jointly), the per child net increases for their new CTC and WFC are estimated at:

- Families with one child: \$833 - \$1,750
- Families with two children: \$703 - \$1,750
- Families with three children: \$922 - \$1,750
- Families with four children: \$1,129 - \$1,750

### IMPACTS

Based on [an analysis](#) by Center on Poverty and Social Policy at Columbia University, it is estimated that the Minnesota CTC could reduce child poverty in the state by about one-third. Researchers have found links between these kinds of tax credits and improvements in child wellbeing including increases to test scores, attendance and academic performance; increases to recipients' work efforts; and reductions in low birth weight and premature birth. Additionally, children in low-income families that benefit from expended state tax credits are more likely to go to and afford college and earn more as adults<sup>1</sup>.

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<sup>1</sup> Marr, C; Chye-Ching, H.; Sherman, A; Debot, B. [EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds](#). October 1, 2015.