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S.F. No. 1777 – Increasing the child and dependent care credit

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The Minnesota child and dependent credit is based on the federal credit. The federal credit equals 35 percent of up to \$3,000 of unreimbursed work-related expenses incurred for caring for one dependent and up to \$6,000 of expenses for two or more dependents. The maximum credit for families with one dependent is \$1,050 for families with one dependent and \$2,100 for families with two or more dependents. The credit amount phases out by one percentage point for every \$2,000 of AGI over \$15,000 and is limited to 20 percent of eligible expenses for families with AGI of \$43,000 or more. The federal credit is nonrefundable.

The Minnesota credit is refundable and equals the federal credit amount for families with AGI less than \$53,100. For families with AGI greater than or equal to \$53,100 in tax year 2020, the credit equals \$600 and is reduced by five percent of AGI over \$53,100. For tax year 2020, the Minnesota credit fully phases out at income greater than \$65,100 for families with one dependent and \$77,100 for families with two or more dependents.

This bill increases the Minnesota credit by 2.5 times the amount of the federal credit so that the maximum credit for families with one dependent would be \$2,625 for families with one dependent and \$5,250 for families with two or more dependents.

Effective beginning in tax year 2021.