

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

**S.F. No. 4617**

(SENATE AUTHORS: COLEMAN, Housley, Abeler and Kreun)

DATE  
03/07/2024

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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; increasing the amount of and income  
1.3 phaseout threshold for the dependent care credit; amending Minnesota Statutes  
1.4 2023 Supplement, section 290.067, subdivisions 1, 2b.

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

1.6 Section 1. Minnesota Statutes 2023 Supplement, section 290.067, subdivision 1, is amended  
1.7 to read:

1.8 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax  
1.9 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the sum  
1.10 of:

1.11 (1) \$1,500; and

1.12 (2) the dependent care credit for which the taxpayer is eligible pursuant to the provisions  
1.13 of section 21 of the Internal Revenue Code except that in determining whether the child  
1.14 qualified as a dependent, income received as a Minnesota family investment program grant  
1.15 or allowance to or on behalf of the child must not be taken into account in determining  
1.16 whether the child received more than half of the child's support from the taxpayer.

1.17 (b) If a child who has not attained the age of six years at the close of the taxable year is  
1.18 cared for at a licensed family day care home operated by the child's parent, the taxpayer is  
1.19 deemed to have paid employment-related expenses. If the child is 16 months old or younger  
1.20 at the close of the taxable year, the amount of expenses deemed to have been paid equals  
1.21 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal  
1.22 Revenue Code. If the child is older than 16 months of age but has not attained the age of  
1.23 six years at the close of the taxable year, the amount of expenses deemed to have been paid

2.1 equals the amount the licensee would charge for the care of a child of the same age for the  
2.2 same number of hours of care.

2.3 (c) If a taxpayer:

2.4 (1) has a child who has not attained the age of one year at the close of the taxable year;  
2.5 and

2.6 (2) does not participate in a dependent care assistance program as defined in section 129  
2.7 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for  
2.8 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)  
2.9 the earned income of the taxpayer or (ii) the amount of the maximum limit for one qualified  
2.10 individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be  
2.11 the employment related expense paid for that child. The earned income limitation of section  
2.12 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed  
2.13 amounts apply regardless of whether any employment-related expenses have been paid.

2.14 (d) If the taxpayer is not required and does not file a federal individual income tax return  
2.15 for the tax year, no credit is allowed for any amount paid to any person unless:

2.16 (1) the name, address, and taxpayer identification number of the person are included on  
2.17 the return claiming the credit; or

2.18 (2) if the person is an organization described in section 501(c)(3) of the Internal Revenue  
2.19 Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name  
2.20 and address of the person are included on the return claiming the credit.

2.21 In the case of a failure to provide the information required under the preceding sentence,  
2.22 the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence  
2.23 in attempting to provide the information required.

2.24 (e) In the case of a nonresident, part-year resident, the credit determined under section  
2.25 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned  
2.26 income of the claimant and the claimant's spouse from Minnesota sources bears to the total  
2.27 earned income of the claimant and the claimant's spouse.

2.28 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,  
2.29 subdivisions 11 and 12, are not considered "earned income not subject to tax under this  
2.30 chapter."

2.31 (g) For residents of Minnesota, the exclusion of combat pay under section 112 of the  
2.32 Internal Revenue Code is not considered "earned income not subject to tax under this  
2.33 chapter."

3.1 (h) For taxpayers with federal adjusted gross income in excess of ~~\$52,230~~ \$125,000,  
3.2 the credit is equal to the lesser of the credit otherwise calculated under this subdivision, or  
3.3 the amount equal to \$600 minus five percent of federal adjusted gross income in excess of  
3.4 \$52,230 for taxpayers with one qualified individual, or \$1,200 minus five percent of federal  
3.5 adjusted gross income in excess of ~~\$52,230~~ \$125,000 for taxpayers with two or more  
3.6 qualified individuals, but in no case is the credit less than zero.

3.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.8 31, 2023.

3.9 Sec. 2. Minnesota Statutes 2023 Supplement, section 290.067, subdivision 2b, is amended  
3.10 to read:

3.11 Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar  
3.12 amount of the income threshold at which the maximum credit begins to be reduced under  
3.13 subdivision 1 as provided in section 270C.22. The statutory year is taxable year ~~2019~~ 2024.

3.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.15 31, 2024.