



Minnesota Should Improve the Working Family Credit in 2014

The Working Family Credit is Good for Families and Minnesota's Economy

- The Working Family Credit is an income tax credit that reduces the amount of state and local taxes that low- and moderate-income working Minnesotans pay.
- The Working Family Credit is based on the federal Earned Income Tax Credit (EITC), which keeps families working. It can only be claimed by people who work. It helps families who work get by on low wages, and encourages the lowest-earning families to work more hours.
- The EITC has a lasting positive effect. Children in families who receive the EITC do better in school and are healthier. Children in households receiving the EITC are also more likely to attend college and earn more as adults.¹

Why We Should Improve the Working Family Credit This Year

- Low- and moderate-income Minnesotans still pay more of each dollar of their incomes in state and local taxes than the highest-income households.
- Policymakers should make two improvements to the Working Family Credit this session to make the tax system work better for low-wage workers and their families.
 - Increase the Working Family Credit for the more than 300,000 Minnesota families who currently receive it.
 - Update the Working Family Credit to conform to improvements to the federal EITC for married couples. An estimated 53,700 working families headed by married couples would benefit by an average of \$334. This 'federal conformity' makes things simpler for taxpayers by keeping Minnesota's eligibility rules aligned with federal rules.
- Senate File 2484 makes two improvements: it includes Working Family Credit federal conformity for married couples, and increases the size of the Working Family Credit for more than 300,000 Minnesota families.
- House File 1777, which passed the House on March 6, includes Working Family Credit federal conformity for married couples.
- Improving the Working Family Credit is a small investment that will make a big difference for Minnesota's working families.

¹ Center on Budget and Policy Priorities, [Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds](#), April 9, 2013.