STATE OF MINNESOTA
Legislative Budget Office

Marriage Credit Tax Expenditure Evaluation Summary

Objective

The objective of the Marriage Credit is to reduce marriage penalties resulting from Minnesota income tax rate brackets for qualified two-earner married couples who file a joint return.

Background

Minnesota's marriage credit is a nonrefundable credit that aims to compensate couples for an increase in tax liability experienced when filing income taxes jointly compared to when they filed individually as single filers. The increase in tax liability that married filers experience is often referred to as a marriage penalty. Taxpayers must fill out form Schedule M1MA to calculate and claim the marriage credit. The form directs taxpayers to one of two calculation methods based on the income of the lesser-earning spouse.

Summary Information

Year Enacted	1999
Statute	Minnesota Statutes, Section 290.0675
Tax Type	Individual Income Tax
Provision Type	Nonrefundable Credit
Latest Fiscal Impact Estimate	$107,300,000 – Fiscal Year 2026
Latest Claims Estimate	422,200 – Tax Year 2023
Expiration Date	None

Key Findings

- The Marriage Credit is generally effective at addressing its stated objective of reducing marriage penalties; however, the credit can be modified to be more effective and efficient.
- Married joint filers may receive a tax credit that is less or more than the value of the tax penalty they incur, depending on which calculation method is used. The look-up table referenced in Part 1 of Schedule M1MA can result in overpayments and underpayments, while the calculation method in Part 2 results in an exact calculation of a penalty and corresponding credit.
- Overpayments and underpayments range from cents to over $100.
- Couples were directed to the look-up table if the lesser-earning spouse made less than $114,000 in 2023. If the lesser-earning spouse made more than $114,000, couples used Part 2 to calculate their marriage penalty. The income threshold dictating which calculation method to use adjusts annually.
- Additionally, there are a few cases where the full benefit is not received by the taxpayer because the credit is not refundable. This happens in limited cases where a couple's tax liability falls below $0 as a result of claiming other credits, causing the remaining amount of their credit to be forgone.

Potential Modifications

- Repeal the statutory requirement for the Commissioner of Revenue to produce a look-up table and instead require that all filers calculate the credit using Part 2 of the Schedule M1MA form.
- Alternatively, increase the income range increments used in the look-up table to minimize errors in calculating the marriage credit.

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Incidence

The majority of fiscal impact from the credit is concentrated in the top-three earning population deciles.[1] This results in 94 percent of the Marriage Credit's total value going to households with household income above $95,361. A top-heavy distribution is expected as the credit is designed to address a structural penalty that occurs when household income rises as result of a couple marrying and filing their income taxes jointly.

A Suits Index[2] of .088 suggests the policy is slightly progressive, meaning that as income rises, the proportion of the incentive to total income reduces. In other words, the benefit that lower income households receive is larger in proportion to their income than the benefit that higher income households receive.

Table 1. Incidence of the Marriage Credit, Tax Year 2021

Population Decile	Income Range	Tax Change	Percent Tax Change
First	$15, 544 & under	$10,960	0.0
Second	$15,545 - $24, 961	*	*
Third	$24,962 - $35,168	$16,176	0.0
Fourth	$35,169 - $45,808	$41,060	0.0
Fifth	$45,809 - $58,014	$9,155	0.0
Sixth	$58,015 - $73,668	$52,781	0.1
Seventh	$73,669 - $95,360	$2,390,730	2.4
Eighth	$95,361 - $127,780	$17,519,092	17.9
Ninth	$127,781 - $183,475	$34,823,052	35.5
Tenth	$183,476 & over	$39,314,500	40.1
Nonresidents	-	$3,922,494	4.0
All	-	$98,100,000	100.0

**Fewer than 10 returns. Amounts were combined with an adjacent cell*

Additional Considerations

- About 40 percent of the tax filings under the married joint status receive a marriage credit.
- The Department of Revenue Tax research estimates 175,161 cases of underpayments or over payments, based on Tax Year 2021 sample data.
- Cumulative impact is estimated to be $139,720 in underpayments.

Contact Information and Disclaimer

- This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission.
- For more information, please visit the Tax Expenditure Review Commission website. For the complete report visit the TERC report page.
- Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.

[1] Population deciles rank household income into 10 equal segments, each segment containing the same number of households. The first segment, or decile, includes households with the lowest household income, while the tenth decile includes households with the highest household income.

[2] "The Suits Index is a summary measure of the progressivity or regressivity of a tax." 2024 MN DOR Incidence Study. Pg 109. Available at https://www.revenue.state.mn.us/tax-incidence-studies