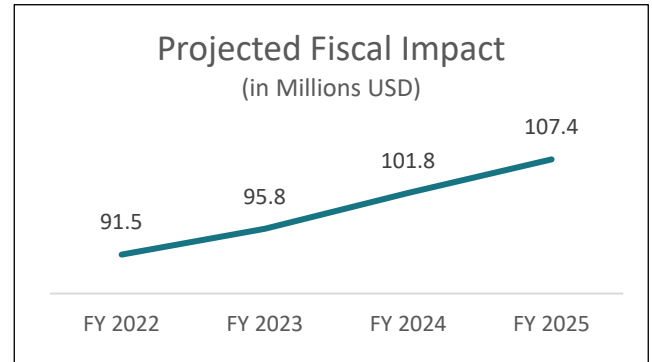


# Marriage Credit

## Tax Expenditure Initial Review - TEB 1.84

### Tax Expenditure Facts

Year Enacted	1999
Statute	Minnesota Statutes, Section 290.0675
Tax Type	Individual Income Tax
Provision Type	Credit
Latest Fiscal Impact Estimate	\$101,800,000 – Fiscal Year 2024
Latest Claims Estimate	433,010 – Tax Year 2021
Expiration Date	None



### Tax Expenditure Description

A nonrefundable credit is allowed against the individual income tax for a married couple filing a joint return if both spouses have earned income or taxable pension or taxable social security income and their income situation results in a “marriage penalty” due to the size of the state income tax brackets. The credit compensates for the extent to which the income tax is higher due to the tax brackets for a joint return compared to the two spouses filing as single persons.

The credit is based on two variables: the joint taxable income of the couple and the earned income (including taxable pension and social security income) of the lesser-earning spouse. Beginning in tax year 2022, the credit does not apply unless joint taxable income is at least \$44,000 and the earned income of the lesser-earning spouse is at least \$28,000.<sup>1</sup>

This credit was enacted in 1999 and was last modified in 2013.

### Additional Background Information

Beneficiaries of the tax credit are qualified married joint filers who would otherwise fall into lower income tax brackets had they filed their taxes individually. To determine the credit amount, the qualified taxpayers must complete form [2023 Schedule M1MA, Marriage Credit](#), in addition to form [M1, Individual Income Tax](#).

The Department of Revenue administers this tax expenditure. The Marriage Credit reduces the amount of income tax revenue that would otherwise be generated. State income tax collections are deposited in the state General Fund, except as provided in the Minnesota Constitution or Minnesota Statutes, section 290.62.

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<sup>1</sup> The description of the tax expenditure differs from the 2022 Tax Expenditure Budget published by Department of Revenue to reflect the inflation-adjustment in 2022.

## Proposed Tax Expenditure Objective for Consideration

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.

### Sources

The proposed objective can be found under the bill summary of H.F. 1998 from the 81st Legislative session (1999 - 2000).<sup>i</sup>

Marriage penalties and bonuses can arise under a progressive rate structure when a couple files their return jointly. Minnesota Marriage Credit was enacted in 1999 to offset the marriage penalties on qualified two-earner married couples without increasing the marriage bonuses.<sup>ii</sup>

### Potential Metrics and Performance Measures

A measure of the marriage penalty under Minnesota's income tax structure can be modeled after the methodology proposed in the working paper, "Defining and Measuring Marriage Penalties and Bonuses," published by U.S. Department of Treasury.<sup>iii</sup> The difference between the amount of marriage penalty and eligible marriage penalty credit can be indicative of the effectiveness of this policy. The distributive effect of the effective tax rate and a redistributive equity analysis using the Suits Index can be utilized to assess the equity among the different income groups.

### Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2023, section 3.8855, subdivision 4.

Notice: Proposed tax expenditure objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or [lbo@lbo.mn.gov](mailto:lbo@lbo.mn.gov).

For more information, please visit the [Tax Expenditure Review Commission website](#).

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<sup>i</sup> Rest; Pugh; Dawkins; Winter; Marko. Bill Summary. H. F. 1998. Tax Reduction. Minnesota House Representative. <https://www.house.mn.gov/hrd/bs/81/HF1998.pdf>.

<sup>ii</sup> Manzi, N and J. Michaels. The Minnesota Income Tax Marriage Credit. Research Department. Minnesota House of Representatives. 2017. <https://www.house.mn.gov/hrd/pubs/mrgcred.PDF>.

<sup>iii</sup> Bull N, Holtzblatt. J, Nunns J., and R. Rebelein. "Defining and Measuring Marriage Penalties and Bonus." OTA Papers 82-Revised, U.S. Department of the Treasury. 1999. <https://home.treasury.gov/system/files/131/WP-82.pdf>.