



MINNESOTA CATHOLIC CONFERENCE  
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# Minnesota Child Tax Credit

## Recommendation:

Minnesota should enact a permanent, fully refundable \$150/month child tax credit (CTC) for all children up to age 18. A Minnesota CTC is an opportunity for our state to innovatively build on the success of the expired federal child tax credit, as well as achieve a unique solution for tax relief this year that meets the tax policy goals of the House, Senate, and Gov. Walz.

## Bottom Line:

Minnesota families are facing a \$5,200 bill due to inflation this year. The proposal would eliminate this inflationary cost-of-living increase for a household with three children. There is an urgent need for targeted tax relief to those who are nurturing our future, and who should have first claim on surplus resources, rather than indiscriminately sending one-time checks to all filers or cutting rates for people who need relief the least.

A permanent Minnesota child tax credit will promote family economic security, aid in long-term workforce development by removing financial barriers to family formation, and help alleviate child poverty.<sup>1</sup>



## Minnesota families are facing rising costs for basic life activities, and are in need of immediate financial relief

According to Bloomberg Economics, inflation will mean the average U.S. household has to spend an extra \$5,200 this year (\$433 per month) compared to last year for the same consumption basket.<sup>2</sup>



Over the last 12 months, prices in the Minneapolis-St. Paul-Bloomington area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U) rose 8.2 percent.

The index for all items except food and energy increased 6.6 percent over the year.

Energy prices advanced 30.9 percent, largely the result of an increase in gasoline prices. Food prices were up 7.9 percent.<sup>3</sup>



\$888/year = the annual cost of a family membership to the YMCA in Albert Lea, MN.



\$840/year = the annual cost of diapers for a single baby. Babies will use about 6,000 diapers during their first two years of life.



For further discussion, please contact:

Ryan Hamilton, Government Relations Associate, Minnesota Catholic Conference  
rhamilton@mncatholic.org OR 651-256-7586

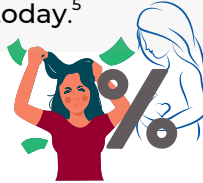
# Returning money to our state's most important producers

Minnesota is facing a "Silver Tsunami"—the long-term health of our state requires removing financial barriers to family formation

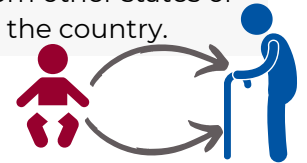
Studies have shown that adults in the U.S. are increasingly postponing marriage, and that a record number of current youth and young adults are projected to forego marriage altogether due to economic barriers.<sup>4</sup>



According to a 2020 Merrill Lynch report, the percentage of respondents who said their finances played a role in becoming a parent has increased from 33% in 1970 to 73% today.<sup>5</sup>



Minnesota has not had replacement level fertility since 2006. Data shows that deaths will outpace births in Minnesota around the year 2040 if trends don't change.<sup>6</sup> Once the state reaches that point, any growth in Minnesota will have to come from people moving from other states or from outside the country.



## Workforce crisis and demographic cliff

"Regions in Greater Minnesota are experiencing an unprecedented number of job vacancies at a time when the growth in the number of people participating in the workforce is declining. The problem is only expected to get worse in rural regions due to a higher percentage of older workers compared to the Twin Cities metro area. When those workers retire, there are not enough younger workers to replace them."<sup>7</sup>— MN DEED

## What would a permanent Minnesota Child Tax Credit provide?

- Fairness in tax policy and ongoing tax relief to the hardest working Minnesotans
- Meaningful support to parents and children in the season of life when they need it the most
- A recruitment tool to help alleviate Minnesota's short-term and long-term workforce shortage
- Empowerment to families through a nation-leading commitment to family economic security
- Common Ground for the Common Good

## How much would an ongoing Minnesota Child Tax Credit cost?

According to the most recent data from the MN State Demographer, there are approximately 965,500 Minnesota children living in a family with income below \$150,000.



An annual tax credit of \$1,800 (\$150/month) for each of these 965,500 children would cost approximately \$1.74B or \$3.48B for a biennium.



\$3.4B would be approximately 6 percent of the State's forecasted General Fund Expenditures for the 2024-2025 biennium.<sup>8</sup>

Tax credits like the CTC help families afford necessities and in turn, support local businesses and state economies. They have also been linked to improved health and educational outcomes in children.

## U.S. Census Bureau's findings on how families that received the advanced Federal CTC spent those payments<sup>9</sup>



Three in ten families spent them on kids' school expenses.



One in four families with young children used them to cover childcare costs.



Around half of CTC recipients reported spending at least part of it on food and about four in ten on rent, mortgage or utilities.

### FOOTNOTES:

1. Research by Columbia University's Center on Poverty and Social Policy revealed that the 2021 advanced and expanded federal Child Tax Credit elevated 3.7 million children from poverty and reduced monthly child poverty by 30 percent. Accessible: <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-january-2022>  
2. <https://www.bloomberg.com/news/articles/2022-03-29/u-s-households-face-5-200-inflation-tax-this-year-chart>  
3. [https://www.bls.gov/regions/midwest/news-Release/pdf/consumerpriceindex\\_minneapolis.pdf](https://www.bls.gov/regions/midwest/news-Release/pdf/consumerpriceindex_minneapolis.pdf)  
4. <https://www.jec.senate.gov/public/index.cfm/republicans/2020/4/marriage-rate-blog-test>

5. [https://mlaem.fs.ml.com/content/dam/ml/registration/ml\\_parentstudybrochure.pdf](https://mlaem.fs.ml.com/content/dam/ml/registration/ml_parentstudybrochure.pdf)  
6. <https://tcbmag.com/what-a-declining-u-s-birth-rate-could-mean-for-minnesota/>  
7. <https://mn.gov/deed/newscenter/publications/trends/september-2021/workforce-shortages.jsp>  
8. <https://mn.gov/mmb-stat/documents/budget/operating-budget/forecast/feb-2022/feb22-historical-expenditures.pdf>  
9. <https://www.census.gov/library/stories/2021/10/nearly-a-third-of-parents-spent-child-tax-credit-on-school-expenses.html>