

FACT SHEET | Middle Class Tax Cuts

Budget for a Better Minnesota

Governor Dayton has proposed \$301 million in tax relief for middle income families. These tax cuts would benefit working families, parents, teachers, seniors, and small employers.

Middle Class Tax Cuts – By the Numbers

\$115	More than 650,000 married couples would save an average \$115 on their taxes
\$160	Over 129,000 Minnesotans would save an average \$160 per year under the Governor's plan to match the federal limit on itemized deductions
\$334	53,000 Minnesota families would save an average \$334 per year thanks to the Governor's plan to expand the Working Family Tax Credit
\$430	By expanding tax credits for child care, the number of families benefitting would increase from 36,000 to 170,000 and the average tax benefit would increase \$430 per year
\$3,496	A family of four earning \$30,000 per year, would save \$1,620 on child care and receive \$1,876 from the Working Family Tax Credit

Reducing Taxes for Middle Class Minnesotans

- **Married Couples.** More than 650,000 married couples in Minnesota would benefit from the Governor's plan to eliminate the "marriage penalty." Under the Governor's proposal, married couples would save an average \$115 when they file their taxes jointly.
- **Working Families.** Under the Governor's fair tax plan, 13,000 more middle class families would qualify for the Working Family Tax Credit, and 40,000 would receive an increased credit. These families would save an average \$334.
- **Parents.** All eligible Minnesota families would benefit from the Governor's plan to increase tax credits for child care expenses. By expanding tax credits for child care, an estimated 170,000 families would see an average tax benefit of \$430 per year.
- **Students.** The Governor's tax plan provides direct tax relief to Minnesota students, including:
 - Providing 285,000 recent college graduates up to \$190 per year by deducting their student loan interest.
 - Providing 40,000 college students and parents an average tuition deduction of \$140 per year.
 - Increasing the amount you can contribute to Education Savings Accounts from just \$500 to as much as \$2,000. The Governor's plan would also expand these accounts to elementary and secondary education.
- **Homeowners.** Minnesotans who have recently bought or sold their homes would benefit from provisions included in the Governor's tax plan, including (next page):
 - Providing another 96,000 households earning less than \$110,000 per year the option to deduct the cost of their mortgage insurance.

- Ensuring homeowners struggling to recover from the housing crisis do not have to pay income tax on “shadow income” because of foreclosures or canceled debts.
- **Teachers.** Over 56,000 teachers and other education professionals would be eligible for a \$250 tax deduction for any personal expenses on books and classroom supplies.
- **Small Employers.** Small businesses would be able to offer their employees tax-free tuition and adoption assistance. The Governor’s tax plan would also simplify small business taxes by eliminating requirements to maintain separate records for federal taxes.
- **Charitable Contributions.** Minnesotans over age 70 ½ could transfer up to \$100,000 of their IRA to a charity, and exclude that amount from their income. The Governor’s tax plan would also make it easier for individuals and businesses to donate food, land, and money to charitable causes.
- **Itemized Deductions.** More than 129,000 Minnesota taxpayers would save \$160 per year, on average, by matching the federal limit on itemized deductions. Individuals earning less than \$250,000 or couples earning less than \$300,000 may qualify for this benefit.