# FTA Awards Nomination/Entry Form

## Person who led this effort or project


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## About your program, idea, or project

**Name your program, idea, or project:** The Minnesota Advanced Child Tax Credit

### What is the problem that you wanted to solve?

Advance Payments of Minnesota's Child Tax Credit represents a first in the nation innovation in tax administration that transforms how Minnesota delivers refundable credits, reshapes interagency operations, expands external outreach, and improves financial stability for families.

Minnesota families historically received their Child Tax Credit as a single lump-sum refund during tax season. While helpful, this timing did not align with the real-world financial pressures families face throughout the year – such as school-related expenses, childcare, food, and emergencies. Families experiencing poverty or variable income were disproportionately affected, often lacking access to resources at the moments they needed them most.

The Minnesota Department of Revenue sought to solve this by creating a safe, accurate, and accessible way for families to receive part of their credit in advance, improving financial stability and child well-being.

Through strategic innovation, rigorous internal controls, data-driven outreach, and deep interagency coordination, the Minnesota Department of Revenue transformed taxpayer service and established a replicable national model.

### Who was involved in addressing the problem?

This initiative was delivered through coordinated, statewide collaboration, involving:

- Minnesota Department of Revenue policy, operations, legal, tax systems, outreach, communications, and taxpayer assistance teams.

- Governor Tim Walz and Lt. Governor Peggy Flanagan, with an overall mission of working to make Minnesota the best state in the nation for kids, and who championed child poverty reduction.

- Minnesota Legislature, which passed the statutory authority enabling advance payments.

- Interagency partners, including the Minnesota Departments of Health; Human Services; Employment and Economic Development; Children, Youth and Families; Education; Corrections; Housing; and the Minnesota Children's Cabinet, supporting life event based outreach and coordinated messaging.

- Tribal Nations and Urban Indigenous communities, supported by Revenue's Tribal Liaison.

- Free tax preparation sites, grantees, and volunteers, who provided on the ground taxpayer assistance.

- Child and family advocate groups who assisted with overall program design and development.

- Research partners supporting program evaluation.

### How did they go about finding a solution?

Revenue adopted a strategic, interagency, evidence-based design process.

1. Strategic Innovation

The Minnesota Legislature enacted statute to allow taxpayers to elect to receive up to 50% of their next year's Child Tax Credit in advance. Revenue designed operations and safeguards, including:

- Annual election process – how a taxpayer would elect to receive part of their Child Tax Credit in advance

- Verification protocols – making sure taxpayers were accurately representing their financial and family situation

- Repayment protections – reconciling the credit received and adjusting any additional credit due to owed when filing a return

- Minimum credit protection – ensures 50% of the prior year child tax credit amount, alleviating fears of a taxpayer having to pay back advanced credit if income status changes, which is a major obstacle to taxpayers taking an advanced credit

- Interaction guidance with other state and federal assistance programs – working with other state agencies and the federal government to make sure advance payments would not impact other service programs

2. Rigorous Internal Controls

Revenue had to develop new processes and procedures in order to administer this new advanced credit. Teams worked with the agency's Internal Audit Division to verify the procedures met the agency's rigorous security and accuracy requirements, such as:

- Additional review of advanced child tax credit returns for potential fraud

- Verification of advanced payment amount, which is unique to each individual taxpayer

- Separation of duties amongst return processors and payment approvers

- A robust reconciliation process to verify accuracy when taxpayers file their next year's return

3. Data-Driven Outreach

Revenue expanded trusted outreach channels through Volunteer Income Tax Assistance (VITA) sites and state grantees, as well as Tribal Nations and Urban Indigenous communities. This included:

- Developing multiple outreach toolkits that were specific to various audience groups with relevant information in various languages, such as Spanish, Hmong, and Somali

- Social media advertising which allowed us to target specific geographic and economic groups

- In-person events that allowed for direct dialogue and assistance from tax experts

4. Strong Interagency Coordination

Monthly implementation meetings were held to coordinate operations, communications, outreach, and policy alignment across agencies.

For example, one early identified challenge was the interaction of Supplemental Nutrition Assistance Program (SNAP) payments. The federal government determined that Minnesota's Advanced Child Tax Credit payments would be considered income and therefore could impact a family's SNAP eligibility. Revenue worked with the Minnesota Department of Children, Youth, and Families to develop an online SNAP calculator so families could determine if the advance payment option would alter their eligibility. This ensured that Minnesota families were making the right tax credit decision for themselves.

These partnerships also enabled messaging tied to key life events—such as the birth of a child, student parent support, homelessness services, or reentry after incarceration—ensuring families encountered information in meaningful contexts.

Together, these four components created a secure, accurate, and taxpayer-centered program model that could be scaled statewide.

### Describe the outcome. What is the new idea, approach, program, or activity?

Minnesota became the first state in the nation to provide an advance payment option for a state level Child Tax Credit. The program delivers a portion of the credit earlier—accurately, safely, and on a predictable schedule—providing families with critical support when they most need it.

When a taxpayer claims the Child Tax Credit on their income tax return, they can choose to receive part of their Child Tax Credit for the next year in three equal advance payments in July, September, and November, before they file their next income tax return.

A taxpayer's choice does not carry over to future years. Each year, a taxpayer must indicate on their income tax return if they want to receive advance payments of the Child Tax Credit.

If a taxpayer chooses to receive advance payments on their 2025 income tax return, they will receive part of their 2026 Child Tax Credit divided into three equal payments in the second half of 2026, and the remaining part of their 2026 Child Tax Credit when they file their 2026 income tax return. For example:

- A family with two children qualifies for a $3,500 child tax credit on their 2025 income tax return. They can elect to receive 50% of that credit, $1,750, in three equal payments in the second half of 2026.

- The family will receive the remaining $1,750 when they file their 2026 income tax return in 2027.

If a taxpayer chooses not to receive advance payments on their 2025 income tax return, they can claim their full 2026 Child Tax Credit when they file their 2026 income tax return.

If a taxpayer owes any other Minnesota tax or government debts, Revenue may apply their advance payments of the Child Tax Credit to the amount they owe.

### What has changed since this was implemented? How have your operations improved? Include any data, analytics or metrics that would show the value of your program. Don't forget management advantages such as improved morale.

The program has driven measurable improvements across Minnesota's Child Tax Credit administration. Tax year 2023 was the first year of Minnesota's enhanced Child Tax Credit. Tax year 2024 was the first year Minnesota taxpayers could elect to receive an advance payment of that credit.

In tax year 2023, nearly $578 million was claimed, representing 465,000 Minnesota children and about 87% of all eligible families in Minnesota. In tax year 2024, the total credit claimed climbed to $585 million, representing 89% of all eligible Minnesota families.

17,808 filers elected to receive an advance on their Child Tax Credit in tax year 2024, representing $23,886,734. About 8 percent of all child tax credit filers elected advance payments. For comparison, the federal Advanced Earned Income Tax Credit program that was in place from 1979 – 2011 never saw above a 2 percent participation rate.

Additional analysis is needed to further understand how this credit impacts child poverty in Minnesota.

Revenue is waiting for additional data from the US Census Bureau and is also working with the Minnesota Demographer’s Office to determine the overall statewide impact of this credit.

Revenue’s Internal Audit Division revealed just a 0.3% error rate in advance payment processing for tax year 2024. Staff morale increased as employees contributed to a high impact, first in the nation innovation. Enterprise-wide volunteer recruitment efforts activated 20+ state agencies, demonstrating statewide buy in.

**Is there any component of your program that makes it workable only in your state or city?**

Another agency with a similar tax type or this kind of problem could adapt or adopt this idea.

**Is this an in-house project, or did you partner with an outside vendor or service-provider?**

Our idea, but we used a publicly available software or service for at least part of the implementation

**Additional information or comments about your usage of outside vendors or service providers.**

This was an internally managed project, designed and executed by Revenue. Advanced payments are managed through Fast Enterprises’ GenTax, Minnesota’s integrated tax management system.

### What comes next — will you be adding to your program, rolling it out more widely, trying additional approaches?

Advance Payments of Minnesota's Child Tax Credit exemplifies the spirit of this award. It:

- Modernized tax administration through first-in-the-nation advance payments.
- Transformed internal processes with new systems, controls, and outreach infrastructures.
- Revolutionized service delivery through life-event–based communication and equity-focused outreach.
- Demonstrated excellence through rigorous audits, interagency governance, and data-driven decision-making.
- Delivered measurable benefits by increasing access, reducing child poverty, expanding community support, and improving the lives of Minnesota families.

Our partners and the families that benefit from this program say it best:

"We know from all our families that every single dollar counts with their tax credits and refunds and everything that is owed to our communities and families," said Suyapa Miranda, Executive Director of Prepare and Prosper, a Minnesota VITA site.

"I was talking to a woman who is used to getting about the same amount back each year and when I told her, 'You're going to get this much back,' she was like, 'Huh?!' This is why you come in!" said Mark Nolan, a VITA volunteer.

"It's been an amazing thing, and I hope that Minnesota keeps moving in the right direction," said Vanessa Williamson, a mother of four.

The Department of Revenue will continue expanding and refining the program through ongoing analysis to assess impacts on child poverty, financial stability, and demographic equity. We'll also work to expand interagency campaigns, improved messaging for key life events, and deepen community partnerships.

Continued enhancements in data systems, communications, and taxpayer guidance, as well as the exploration of more frequent payment installments, and additional taxpayer self-service options to enroll or opt-out of the program are on the horizon. Minnesota will continue to innovate so families can access resources when they need them most.

## Additional Optional Materials

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| **Website/Documentation URL (Must be publicly accessible)** | https://www.revenue.state.mn.us/advance-payments-child-tax-credit |